THE
Freeman
IDEAS ON LIBERTY

MARCH 1956

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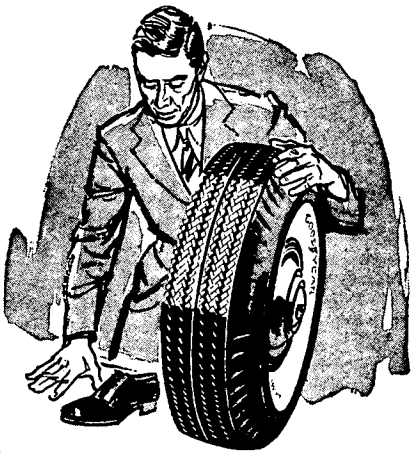

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The Graduated Gadinkus Tax

F. A. Harper

IT WAS New Year's Day and Alonzo Brown had a headache. Not because he had imbibed too much, for he was a teetotaler. His head ached because he was making out his federal income tax return. The further he figured, the more he fumed.

Alonzo's final calculations showed:

Adjusted gross income	$300,000
Tax bill	194,804
Left for himself	$105,196

Belinda, his wife, tried to console him by pointing out that $105,196 was no mean income, even if he had worked long and arduous hours. He agreed with this, but his ire was generated by the fact that he was going to have to pay the government $194,804 — "for doing *nothing*," as he expressed it.

Belinda tried to console him further by observing that he did get something for the $194,804. "You got all those services people get from their government," she said.

"True enough," Alonzo replied. "We do get services from the government, even though we differ in what services we want and how much we are willing to pay for each of them. But aside from that, one gets these services whether his tax is $194,804 or $1,000 or nothing. In fact, some persons who pay no tax at all get food and other things that the rest of us have to buy for ourselves."

Alonzo's business is the making and selling of gadinkuses. A gadinkus is a hypothetical gadget Alonzo discovered after ten years of intensive study and experimentation. Nobody else knows how to make it.

The raw materials Alonzo uses to make the gadinkus are air, water from the brook that runs through his property, and heat from the sun's rays. He does all the work himself.

In the first year of operation Alonzo had sold gadinkuses at $10.00 each. Let us say that you had been his first customer.

"How can you in good conscience charge me $10.00 for something made from materials that are God-given and free?" you had asked.

Dr. Harper is a member of the staff of the Foundation for Economic Education.

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"I'm not charging you anything for the materials," Alonzo had replied. "If all you want is some of these materials, just step outside and take all you want for free. What I'm charging for is my time in making the gadinkus, plus some return for the ten years of work discovering how to make something consumers want. *Plumbers, you know, are now getting* nearly $4.00 an hour around here."

"I am setting my price by guess," Alonzo had continued. "I want to work steadily all year producing gadinkuses. If I have any left unsold at the end of the year, I'll know my price was too high and that consumers wouldn't pay this price for as many as I could produce. If, on the other hand, buyers queue up at my shop, I'll know the price was set too low."

BY THE STRANGEST chance, Alonzo happened to have hit exactly the free-market price for gadinkuses. In that year he produced 30,000 of them. Everybody wanting one for $10.00 or more was able to buy one. The last gadinkus was sold just before Alonzo closed his shop on December 31 to go home for his New Year's Eve dinner with his wife and two children.

It was the next day that he

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made out his income tax return and had his headache.

The more he thought about it, the more the meaning of this tax system began to form in his mind. He began to see clearly a new picture of how it affected him and his business.

Beginning on January 2 of the new year, he sold gadinkuses at $10.00 as before. Then at about 10:00 a.m. on January 5 he raised the price to $12.50 each. A lady buyer protested the new price, saying: "I just saw you sell one at $10.00 to the lady who bought one before I did!"

"But it cost me more to produce yours than it did hers," Alonzo replied. "And I'm going to try to price gadinkuses so that my customers throughout the year will each pay the same price after taking account of changing costs. What consumers will pay, rather than precisely the cost, finally rules the market, of course. But unless a producer covers his costs, he can't stay in business long. And anyhow, it seems to me that the fair thing for me to do is to price them to my various customers equally in proportion to the costs. That sort of 'equality' seems just, and I'm willing to help put it into practice in economic affairs."

"But," the lady replied, "your costs haven't gone up at all. Your materials are still free, and it didn't take you a bit longer to make the gadinkus I want to buy than it did the one you sold to the other lady. Why, then, the jump in price?"

"But my time costs more now than it did then," he countered.

"Why?" she persisted. "In both instances it was all your own time. You can't just suddenly say your time is worth that much more."

"It's not me saying it," Alonzo replied. "The government says so."

"How? You work for yourself and not for the government. They don't set your wage."

"I worked fully for myself from the beginning of the year till now," he replied. "But I am not allowed to do so any more. Beginning now I am forced to work one-fifth of my time for the government. You see, from the first of the year till now my income was not taxed. Now it has reached a point where the government begins to take 20 cents out of every additional dollar I get. That is why I must charge you $12.50 in order to continue to have $10.00 left after the 20 per cent tax. If I were to charge you only $10.00, I I would be selling it to you cheaper than to those who had bought earlier — much cheaper relative to costs of producing them."

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Being unable to refute the fact, and being a willing buyer even at that price, the lady took it. She would have liked, of course, to have been able to get it for $10.00, just as the lady who had gotten one earlier for $10.00 would have liked to have gotten it as low as possible.

Then on January 15 at about 11:00 a.m. the price took another jump. This time it went up to $13.51, as required to cover the new tax rate of 26 per cent applying to additional dollars of income, leaving him his $10.00 net after the tax. And he had to go through an explanation of taxes and prices all over again.

Again and again during the year Alonzo had to raise the price for the same reason—to $17.54 on February 6, to $26.32 on March 24, to $40.00 on June 8, and to $90.90 by the end of the year. And there were many other intermediate increases.

Most buyers probably never did understand how taxes had caused the prices to advance. They just assumed it was a personal "monopoly" grab by Alonzo. But no matter how they looked at it, those who bought gadinkuses did so because they were willing to pay the price rather than to go without. Others went without, of course, because as the price rose it became too expensive for them — just as a price of $10.00 or $5.00 or even $1.00 would be too high for some.

The demand for gadinkuses was such that — no matter what the price — about the same number of dollars would be spent on them by all people, or $300,000 combined, during the year. So as the price went up during the year, a corresponding number of buyers became discouraged from buying. Finally, at the end of the year, Alonzo was selling only about one-ninth as many gadinkuses in a day as he was at the beginning of the year. As sales fell off, Alonzo had more and more leisure time—time to sit on the seashore, or to enjoy other pursuits of his choice.

Near the end of the year a lady asked him why he hadn't kept his

FEDERAL TAX RATES

Married Couple with Two Children, 1955

Income before tax (adjusted gross income)	Tax on another dollar of income
$ 2,672	20c
12,000	26
30,000	43
70,000	62
132,000	75
300,000	89

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price at $10.00 throughout the year, whereby all the gadinkuses he could produce by working full time during the year would be bought. "Look at all the additional people who could then have gadinkuses to enjoy," she said, "but must now go without."

Alonzo replied that out of each $10.00 received at the end of the year he would be allowed to keep only $1.10 after taxes, as pay for his time. And he couldn't see why his time at the end of the year was worth any less than at the beginning of the year—still making the same product that people still wanted as much as ever.

"I look at it this way," said Alonzo. "If eight-ninths of the pay for my time is going to be taken from me, I prefer to sit on the seashore or do something else. Why should I work nine times as long to get a dollar at the end of each year as at the beginning of the year? That doesn't make any sense to me, especially when the government takes some of these taxes to pay people not to produce things the rest of us want and are willing to pay for. I'll forego $1.10 and have the leisure rather than to produce gadinkuses and provide $8.90 in taxes to be used to induce someone else not to produce something I would like to buy."

"After all," Alonzo continued, "I don't see that it is my responsibility alone to solve this problem. Go speak to the others who want gadinkuses. I would gladly produce for them if we were allowed to do business directly with one another without this penalty. Have them help me solve it."

Well, they haven't solved it yet, and consumers are still going without gadinkuses they want and could have.

DAN THROOP SMITH, Assistant to the Secretary of the Treasury, told a House tax subcommittee the other day the Treasury Department opposes lifting the Federal excise tax from color TV sets "because this would be a 'concealed subsidy.' " He said, "if it were decided the Government should stimulate production of these sets, it should do it through a direct subsidy."

It seems to me that things have come to a pretty pass indeed when Government officials, with a straight face, speak of tax reduction as a "concealed subsidy."

Does Washington actually believe it has a vested right to all the taxes it can, by hook or crook, scrape into the Treasury? And that it is granting a subsidy when it condescends to reduce taxes?

JAMES C. INGEBRETSEN, *Pause for Reflection*

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Executive Incentive

Crawford H. Greenewalt

AS OUR COUNTRY has developed and matured, we have become increasingly dependent on an active and dynamic industry for our economic growth and prosperity. Without minimizing in the slightest the important contributions to our national economy made by the farmers, the professions, the service trades, the fact is that our standard of living is firmly anchored to our industrial development.

Industry, if it is to keep abreast of its responsibilities to the nation, must have a great number of first-class minds at its disposal. It must compete for them with all other phases of our society, for there are never enough to go around. The fields of government, education, the military, the arts, the professions — all are seeking to persuade able young men to cast their lot with them. Each has its own type of incentive to offer, and the demand for talent always exceeds the supply.

The question of incentive is essential, whether we are speaking of business getting its share of the talent crop or of encouraging the exercise of that talent once it is enlisted. It is perhaps unfortunate that human beings should require lures of any kind as the price of initiative, but I am afraid we have not yet reached that state of grace in which people will surely do their best without external motivation. People being people, they will for the most part respond with their highest abilities only when there is some stimulus or some satisfaction associated with success.

Adequate incentives, of course, differ with different people. Some are attracted most strongly by the promise of prestige. Some are more interested in leisure time, to follow scholarly pursuits or perhaps simply to meditate upon the ills of the world. To some people, public notice or outward signs of rank and importance are alluring goals. Some seek power. For most, however, the strongest and probably the most desirable incentive is financial reward. Furthermore, financial reward is not only an incentive in itself, it is the only fluid

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Mr. Greenewalt is President of E. I. du Pont de Nemours & Company. This is an excerpt from his statement of November 9, 1955, to the Sub-Committee on Tax Policy of the Joint Committee on the Economic Report.

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medium that can be used to balance the attractions of the more intangible compensations such as prestige, power, or public notice.

THERE IS another aspect of the monetary incentive that seems to me worthy of comment. It is the only reward that can be cut down on a basis of fixed percentages. We do not, for example, withhold 91 per cent of an Oscar going to the best moving picture actress of the year. The winner of a Nobel Prize does not have to give the government a certain percentage of the prestige accruing to him. A brilliant violinist does not have to share his applause with the Collector of Internal Revenue. These illustrations may seem facetious, yet they are based on a serious foundation; for we do in fact make the recipient of monetary rewards, and him alone, give up significant percentages in taxes. We are, that is, penalizing only one manifestation of success; and this seems to me, frankly, not only unfair but, for the future, a dangerous practice.

I am certain that the effectiveness of the money incentive is being eroded by the tax rates that prevail in the upper brackets today. While many companies are experimenting with non-monetary incentives, basically industry must rely upon the coin of compensation most suitable to its character. I am afraid the raw truth is that, in the long run, we shall begin to lose out and our proportion of the available candidates will fall unless some relief can be obtained.

I am necessarily talking in the future tense, because it is quite clear that the point of concern is not the executive of today, nor even of the immediate future. I doubt that high personal taxation has had substantial effect upon the performance of present-day management. By the time a man has reached a position of eminence within his organization, he is influenced importantly by his sense of loyalty, his sense of obligation, or a preoccupying interest in his work.

But in business, as elsewhere, it is important for us to induce as many of our younger men as possible to set their sights on the job ahead and to broaden their shoulders for responsibilities to come. If we are to do so, the game must be worth the candle. And some of my associates have already noted that there are signs among the younger men that promotion is a little less attractive than it used to be. How this trend may be expected to show up, in specific terms, is hard to say — my own guess is that it will take the form

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of slow attrition, beginning with borderline cases. Where we now have ten who want to try for the jobs of major importance, we may have nine tomorrow — one candidate deciding that since it is worth considerably less after taxes, it isn't worth the extra effort. So we have nine, and the next year we may have eight, and management will be the poorer for the loss.

IF THE CALIBER of management available to American business declines, the results will be reflected inevitably upon everyone, in business or not. The economy we have created in this country is closely intertwined; the effect of one activity upon another is intimate and continuous.

Management ineptitude would assess its penalties in terms of higher costs, diminished opportunity, and a slowing down of the kind of bold venture that is necessary to growth. It would be demonstrated, I think, in declining stability, for often the failure of one firm engulfs others. In so highly integrated an economy as ours, shock waves are transmitted with great speed and ruinous force. We cannot sustain many such shocks without impairing our strength and security as a nation.

And so every citizen has a stake. He wants lower prices, expanded employment, a degree of job security. He wants better schools, better medical facilities, better care for the aged, more cultural facilities. He can have them in an era of rapidly expanding population only if industry grows more dynamic rather than less, better managed rather than worse.

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THE INCIDENCE OF CONTROLS

IN THE FILES of Congress there is a bill that proposes to invest the President with authority to regulate the market place. It is known as the "Stand-by Controls" bill. During the past two sessions the Administration has pressed for the passage of this bill, and continued pressure may be expected during the present session. It might be well to consider what the proposed legislation undertakes to do and what it will or can do.

The argument for controls is that the Executive Branch should have power to impose limits on prices, rents, interest and, possibly, wages, so that a condition of general scarcity—an "emergency" — cannot drive these prices and rates upward beyond the reach of many consumers, causing widespread distress. The emergency might be a period of runaway inflation, when people lose faith in money, prefer things, and dump currency into the market place as soon as they have it; this scramble for goods pushes prices up at a precipitate rate. Those whose income does not keep pace with prices will be outbid by those in a more fortunate position, and a large number of people will have to go without. Possibly that is the situation against which the Administration would guard. But more likely, the "emergency" contemplated is war, or the imminence of it, when the siphoning of goods and manpower into the military machine depletes the stock available for civilian consumption and thus tends to push prices to prohibitive heights.

The government proposes to alleviate the consequent distress by fixing prices at levels which people of average or low incomes can pay, so that there will be an equitable distribution of the short supply. But a fixed price is wholly impotent as a mechanism of allocation or distribution, for it is no longer a price satisfactory both to the buyer and the seller. A price control law prevents people from doing what they want to do or compels them to do what they do not want to do. That is, the gov-

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ernment undertakes to control people, forcing them to buy or to sell at prices unconducive to trade.

Such a law says that it is not permissible for Mr. A to ask more than ten cents for a cup of coffee, or for Mr. B to pay more, regardless of any private agreement between them. The law would say that trade may not occur except at ten cents, and that the bidder and asker shall abide by the law under penalty of punishment. What is called price control is but a stricture on human behavior.

Let us assume that both seller and buyer are law-abiding citizens. Mr. A, the seller, finds that the price he may charge for the cup of coffee does not cover the cost of supplying it; that is so either because the government has neglected or is unable to fix the price of the ingredients and services involved, or has depreciated the purchasing power of the dime (by inflation) so that it will not buy these ingredients and services. To comply with the law, Mr. A resorts to defining the undefined "cup of coffee," by serving a demitasse or by charging for the sugar and cream which Mr. B expects when he orders a "cup of coffee." That is, the price is what the government says it is, but the commodity has changed. Has the price been fixed?

Should the government undertake to define a "cup of coffee" so that Mr. A cannot legally alter the commodity, he will be forced to pay the costs which the ten cents do not meet by digging into his savings, his capital. He is compelled to make a gratuity to his customer. Even if he does so, there will come a time when he will have no capital to hand out, and then he must cease selling cups of coffee. He will go out of business. In that case, Mr. B will have to go without his cup of coffee. There will be no sale and therefore no price. The proposed legislation will not fix the price of coffee; it will prevent Mr. B from satisfying a desire and stop Mr. A from making a living.

Thus, when you put the microscope of reality to a price control law, you find that its purpose is not really to control prices but to control persons.

* * *

LET THEM GIVE

I SEE BY THE papers that Messrs. Khrushchev and Bulganin were very free with their promises of economic aid to India. Copycats!

The promises seemed to have been taken at face value. There was little questioning of the ability of K & B to make good. What

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have they got to give? Is it possible for a collectivized economy to produce an exportable surplus? Perhaps slave labor under strict surveillance will turn out a lot more than their subsistence requirements; but then there is the vast army of nonproductive overseers to take care of, in proper manner, to say nothing of what the Soviet military machine consumes. That's quite a chore for peons. Come to think of it, the papers (capitalistic, of course) report that Russia isn't producing enough to pay for what she is importing from those countries silly enough to accept her orders; her "unfavorable trade balance" is considerable. If so, what can she give to India, or anybody?

Putting that question aside, some of our people, in the "higher echelons," are reported to be disturbed by the prospect of competition in giving. Why? Let them give, and the more the better. If the Russian economy is as low as it is reported to be, and as reason tells us it must be, then the more they give the more imminent its utter collapse. That would go hard on the Russian people, but it should result in both their freedom and the removal of the threat of war. Prudence would suggest that we withdraw from the field, giving Russia a chance to bleed herself as she chooses while we build up our resources.

Perhaps, however, the clever "Commies" made these promises for the purpose of scaring us into giving India more than we have given. It is well-known that communist strategy contemplates the collapse of capitalism, which an accelerated give-away program would hasten. If that was their purpose, they seem to have calculated well; for a few weeks after the aforesaid promises were made, Washington reported that $10 million worth of railroad equipment had been earmarked for shipment to India, and that total American aid to India in 1956 will amount to $60 million.

* * *

THE WHY OF "FOREIGN AID"

JUST BEFORE the present Congress convened, a flying political saucer appeared in the skies. It was clearly identified as coming from the planet Administration, and on its sides were painted this legend: "We need $5 billion more for foreign aid." The newspapers carried long and learned explanations for this phenomenon; the explanation sounded like rewrites of mimeographed sheets that had been dropped from the same planet. Some congressmen, looking

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skyward, said the saucer was the real thing; others, looking earthward, cried "fake." This left such as we, who have to fork over the $5 billion, somewhat bewildered, asking "why." Here is an answer.

To understand most proposals initiated from within the government, one must begin with an inquiry: in what way will this proposal add to government power? As far as any government is concerned, its interest, all too often, is to increase its power. If people want limited government, *they* must provide the limitations. So the way to examine a government proposal is to test it for power.

In the present case, "foreign aid" is a paying occupation for thousands of administrators, pliant professors on leave, permanent and borrowed economists, linguists, traveling specialists, experts in geopolitics, and so on, each with a complement of clerks. It takes a lot of people to spend $1 billion; it takes more to spend $5 billion. Obviously, these people are very jealous of their perquisites and have therefore convinced themselves that "foreign aid" is a good thing, not for themselves but for their country. So, they are all for continuing their work; if the paying public has any doubts about the usefulness of "foreign aid," it must be set straight with mimeographed sheets and a spectacular flying saucer.

Supporting this vested interest is another one, of more sinister character. It consists of a goodly segment of the population — the industrialists, financiers, farmers, and workers who sense an opportunity to profit by "foreign aid." Since every dollar appropriated to aid foreigners is spent in the United States (a dollar does not buy a thing abroad), it is obvious that some good American citizen will lay his hands on it, by way of dividends or wages.

So the dollars will stay at home, passing from the pocket of one taxpayer to the hand of another, while the government gains power and all of us lose goods and services as they flee the country.

* * *

A TAX-MADE RACKET

THE LAW enforcement agents, in 1954, seized 22,913 illegitimate whiskey stills. The capacity of these stills is estimated at over 35 million gallons of moonshine, which is about a quarter of all the whiskey legally made and sold that year. The Licensed Beverage Industries, Inc., which vouches for these figures, reckons that the number of stills seized in 1954 is at least equalled by the number that escaped the agents. If this is

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so, then between a fourth and a third of all the liquor sold in the United States bore no taxes. The illegitimates did a sizeable business.

One can draw a number of morals from this fact, but the economics of it is quite obvious. Whenever the price of a commodity rises, for any reason at all, the tendency is for a substitute product to take its place. In the case of whiskey, the price for the legitimate kind, including taxes, puts it beyond the reach of many consumers. The moonshiner comes to their rescue. He is spawned by the law of supply and demand, over which the "revenoors" have no control.

In point of fact, the moonshiner is the creation of the government. If there were no taxes on liquor, or if they were so small as not to bother even the drinker of low means, the illegitimate operator would disappear. So would the law enforcement agents, thus further reducing the drinker's tax load.

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IMMORTAL BUREAUCRACIES

A FEW YEARS ago there was a great to-do over the Reconstruction Finance Corporation. This lending agency, set up by Herbert Hoover to relieve a "temporary emergency," managed to live on for over 20 years by congressional extensions. Finally, its profligacy with the taxpayers' money plus the corruptive practices of its personnel turned the agency into an "issue," and Congress voted for its demise. Rather, it was only partially killed. Some of its life was breathed into a new agency, the Small Business Administration. The capitalization of SBA was limited and so were the loans it was permitted to make, the idea being that Uncle Sam should come to the rescue of the "little fellows" whom the big bad banks considered poor risks.

A few weeks ago the Senate passed and sent to conference a bill increasing the SBA's lending authority by $35 million to $210 million and giving it greater latitude in taking on risks.

This sort of thing can go on and on until man again learns, as once was known in America, that the force of government may not properly be applied to lending or to other transactions involving a buyer and a seller.

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The Case for the Private School

George S. Schuyler

A CENTURY ago education was almost entirely privately supported and controlled throughout the United States. Indeed, it was not until the early years of the nineteenth century that the first free school (for Negroes, incidentally) was established in New York City. Schools were operated by religious organizations or individual educators. The parents directly paid tuition with occasional benefactions from grateful alumni. The private schools turned out fewer graduates proportionately than now emerge from the government (public) school system, but there was no criticism that these could not properly read, write, spell, and figure, nor that they were ignorant of geography, civics, and the great Christian principles that motivate men. Under this diverse system based on various educational philosophies and with widely varying curricula, the percentage of literate persons was not only large and increasing but regimentation of instruction was impossible, and there was wide experimentation. This diversity by its very nature enriched our culture.

While the government school system has never entirely displaced the private schools, it has largely superseded them. With the growing desire and demand for mass instruction following the Civil War, municipalities, cities, and states turned increasingly to tax-supported government schools until the latter became swamped by enrollment. There is now a widespread agitation for some form of federal subsidy. Thirty or forty years ago, such a suggestion would have been overwhelmingly rejected as leading inevitably to repugnant regimentation. This fear has been considerably justified by events, and accordingly dissatisfaction with government schools has grown, with widespread criticism of what and how our children are taught.

It is significant that despite the heavy school taxes which all must pay, an increasing number of parents are willing to assume the added burden of private tuition to assure their children the kind

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of educational discipline they *want* them to have. Many families are prepared to forego expensive gewgaws in order to do this, believing that the scholastic and ethical standards are higher in private than in government schools. They are scarcely in the mood for expensive frills and experiments of dubious value, preferring to have a more direct and final say about what, how, and by whom their children are taught. If they are not intrigued by efforts to instill in their offsprings' minds enthusiasm for the United Nations, world government, TVA experiments, and "progressive" education, but prefer that they be instructed in the background and meaning of our Constitution, the clear and precise use of our language, and the mastery of mathematics or another language or two, they would like to choose their school.

MANY AMERICAN parents feel rightly that they, and not the State, should be responsible for what their children become; that education should be divorced from political control; and that those who prefer private instruction for their children should not be taxed for the upkeep of facilities which they did not choose nor curricula to which they do not want them exposed. There is a growing feeling that top administration and control of government school systems are too remote and too difficult to influence, that parents are mere robots in a machine that leaves little individual choice. There is some resentment that families should be taxed to "educate" the ineducable until adulthood when there is neither the capacity nor desire among these "children" nor their parents for further instruction.

The increase in real wages and the general lift in the standard of living in the United States now makes it possible for a much greater expansion of the private school system than was possible a century or half-century ago. There is certainly a much larger proportion of parents who would prefer to remove their children from government schools if some means could be devised to free them from paying for *both* systems as they now must do. It is difficult to see the justice of compelling those who are paying already for private instruction to be taxed additionally for government schools to which their offspring do not go or to which they would prefer not to send them. Indeed, such a legal provision, which would automatically expand the private school system, would relieve the State of

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just so much responsibility and expense, and thus reduce taxes.

There are dozens of religious organizations, whose members now find a double educational burden onerous, which would be able to establish their own schools where instruction could be given in their faith without any political controversy. There are wealthy labor unions, now maintaining many facilities for their members, which could as easily afford schools with curricula of their choosing. Private colleges and universities could expect a sustaining revenue from inevitably enlarged student bodies, thus relieving tax-supported institutions of higher learning from the *increasing* need for larger budgets. With continued prosperity one can envision the time when "free" education would be reduced to a minimum. The "right" to an education would thus become a parental obligation and more in accord with a free society.

THERE IS a real and present danger in regimented government education which an expanded private school system would allay by its wide variety of curricula and decentralization of control. Courses of study laid down by, or increasingly influenced by, a central administration can be disastrous if not in step with changing requirements in an evolving society. Such a ponderous heirarchy does not readily respond to developing individual tastes nor social necessity. This is already reflected in the distressingly small proportion of secondary-school and college graduates who are equipped for leadership in our highly technical age where rapid communications have shrunk the earth.

With the greater flexibility and capacity of a decentralized private school system to be more responsive to the needs and desires of an alert and responsible citizenry, it is doubtful if the present educational impasse would have occurred or be so difficult to resolve. Some private schools might lag or become bogged down in performing their duty of educating students to cope with contemporary problems of citizenship, culture, and industry; but by virtue of their diversity and greater parental influence, it is probable that the percentage would be small.

THE REAL SLAVERY of Israel in Egypt was that they had learned to endure it.

RABBI HANOKH OF ALEXANDER
as quoted by Victor Gollancz in *Man and God*

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The Real Revolution and You

Ivan R. Bierly

Clear thinking and straight answers can help you to win the real revolution which goes on in the minds of men.

WHO are the real revolutionaries in the world today?

Many would say, "The Communists, of course! Their day-and-night, around-the-world effort is the major revolutionary program of our times!"

Others would counter, "No! Revolution means a radical change — and communism is only a return to an age-old authoritarian tyranny, rooted in paganism and manifested in imperialism. What's new about that?"

Still others would suggest, "The revolution has happened here in the United States in the past 20 years! Almost overnight we reversed 'rugged individualism' and launched into a bold new era — with a prosperous planned economy and guaranteed security."

While it may come as a shock to some, there is nothing revolutionary or even new about America's quarter-century experiment in attempting to provide for "social welfare."

It has been tried on various occasions in the last 6,000 years. To cite just one — Augustus Caesar planned meticulously for his people, and initiated various social reforms so they could live happily, free from want, and even without exerting much initiative. But Caesar's Roman Empire vanished into the centuries-long black-out of the Dark Ages.

The American Revolution

No, the greatest of all socio-economic revolutions occurred some 180 years ago on the shores of colonial North America — and it is still going on today. This revolution seemed to some only a battle of Minute Men and muskets — fought on such bloody fields as Lexington and Concord and Bunker Hill. But more significantly it was *a revolution of ideas, fought in the battlefield of men's minds.*

The idea that triumphed was startling in its simplicity, but so powerful that it has long made America the mecca of the downtrodden and walked-over of the

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world. The idea was simply this: You are an individual person — the equal of any other — not just in theory but in fact. You were created by God, given a mind with which to think, and plan, and learn, and do. Along with this you have a responsibility—to use your talents, and to be a responsible individual.

While this idea may seem obvious today, we must recall that it had never before been accepted as fact, and really practiced in societal life, in all the previous 6,000 years of recorded history! Always before, people had been weighted down with the tyrannous belief that some men are divinely endowed to lord it over others.

The Declaration of Independence

But on July 4, 1776, a long-germinating idea burst forth its rebellious message. The Declaration of Independence was more than an angry protest that old King George was a wretched scoundrel for all the abuses he had hurled at the American colonists. It was a declaration that no man is delegated by God to rule over his fellows: that individual persons have rights from their Creator; and that along with these rights, individuals are willing and able to look out for themselves and to recognize the rights of others.

Much of the old world laughed. "Such nonsense! This upstart nation cannot last. No such loose government has ever lasted—none ever will. Some are chosen to rule, others to fawn and give!"

More than once the old-world cynics were almost proved right. Some colonists wanted to make George Washington king and transplant an old-world monarchy in America; but Washington knew that Valley Forge and the whole Revolution stood for something else — for throwing off the yoke of servitude.

Again, behind the closed doors of the Constitutional Convention, some notions were propounded that might have wrecked the young nation; but despite mistakes, the delegates produced a remarkable document, wisely calculated to restrict the role of government and release the energies of free men.

One Great Asset

At the outset, the infant country was burdened with problems. Unemployment, high prices, unrest, and discouragement followed fast in the wake of the revolution. But the young United States also possessed an asset — one so great that it more than offset the liabilities. That asset was a magnificent individual freedom which permit-

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ted an unprecedented release of human energy.

Human energy is an interesting thing. The individual person has energy. *You* have some; but *I* can't turn it on. Only *you* can! Magnify the turning on of this energy, full force, in 13 colonies and a few millions of people, and you can understand what happened to America.

There were no economic plans. No blueprints. And no limitations but the requirement that what one did or made must be useful either to himself or someone else — useful enough so that another person would willingly give what he already owned in exchange for it.

Freedom in Action

Encouraged by the freedom to do as they pleased, as long as they did not interfere with the rights of their neighbors, and urged on by the knowledge that they were allowed to keep the fruits of their own labors, the colonists displayed a remarkable industry and a keen inventiveness — ever seeking and finding better, faster, easier ways to do things.

Many saved enough to be able to invest in new ideas. Not all of these investments panned out; but when they did, they resulted in still more savings, which in turn were converted into the tools that made possible still further advances in production.

There was little regulation of industry, and no government attempt to guarantee individual security. Men were on their own — free to work as they pleased but obliged to be self-reliant and provide for their own needs.

The result: The greatest prosperity the world has ever known! The most stupendous advance in material well-being — in new inventions and in the standard of living — that has ever been seen!

Are We Forgetting Our Own Revolution?

But strangely enough, in the past half-century Americans have been running away from their own revolution. They have forgotten — or failed to understand — what it was that gave them their unprecedented prosperity. They have returned to the Old World and imported an alien idea — the socialistic belief that government has the right to control productive activity, and that it is entitled to take from some persons in order to give to others!

This Marxian notion — catering as it does to the human impulse to get something for nothing — has, in many of its forms, been widely accepted. There re-

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mains but a relatively small group which recognizes that these socialistic tendencies are contrary to all that has made America great. And it is a still smaller segment who actually understand the religion-rooted, politico-economic ideas on which this country was founded. It is this group who are America's true revolutionaries. And those who are best informed and most articulate among them are fighting the most genuine revolution in the world today — the revolt against the tyranny of the socialistic welfare state.

People sometimes say, "I believe in freedom. I thoroughly disbelieve in state socialism. What can I *do?* How can I help *change* things?"

The answer, as I see it, is: "First, do something to yourself; change yourself!" That is, develop your own understanding of the system you say you believe in. Until you thoroughly grasp the precious value of individual liberty, the immense productivity of the free economy, and the great necessity of strictly limited government, you can do little to aid the cause of freedom.

Ingredients for an Intellectual Revolution

Each of us must begin by building up his own idea-arsenal. Let me share with you elements of this again-revolutionary idea which I have found helpful in clarifying my own thinking:

1. A belief in the dignity and inherent worth of the individual.

2. The conviction, which follows naturally, that whatever an individual produces is rightly his own, to do with as he sees fit. To deny this is to deny his individual nature; unless his property is his own, he cannot be independent of those who would make a prior claim on his property. And so, no one has a right to tell a person what is a proper use for his property, so long as he does not employ it to damage others.

Every Nation Has Capitalism

In sharpening my own understanding of the private property concept, and in discussing ideas with others, I find it helpful to recognize that "capitalism" is universal in the modern world. Every advanced economy uses machines and tools to augment production, and these are capital. The big question is who will decide how the capital is to be used — the bureaucratic power, or the individuals in the market?

While ours is a capitalistic system, the goal is not just any kind of capitalism, but an *individual* or *competitive* capitalism. Russia to-

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day is a capitalist country. Everyone has seen in the newsreels the Soviet copies of American farm machines crossing great fields at harvest. How did Russia get these tools? From savings. If there were no savings, there could be no tools. And the conversion of savings into capital — tools — is capitalism.

So we see that the schism that is splitting the world today is not between capitalism and noncapitalism. It is between state capitalism and individual or competitive capitalism; between state control of the means of production, and individual decisions in the market place; between *your* deciding what color and style of shirt you will wear, and someone else doling out his idea of what will satisfy your needs.

What's Happening to Individuals?

In my thought and conversation, I also find it helpful to consider the *individuals* involved in a situation, rather than vague groups such as "society" and "government."

One evening a young minister and his wife came to call at our home. He had never disguised his socialist leanings, and that night — as usual — we started to discuss politics and economics. The conversation soon ran to "social security," and he insisted that government could guarantee such security. I tried to show him that government had no income but what it took from its citizens, so it couldn't guarantee any one of us *something* we didn't already have — unless it forcibly took it from *someone else*. And at the same time, I observed, we had to pay a high-priced middleman in Washington to do the arranging for us.

He finally accepted this as a correct description of our "social security" system, but proceeded to *endorse* the process of taking from one to give to another.

Taking by Force To Do "Good"

I could hardly believe that this young clergyman, who took his Sunday morning texts from the Ten Commandments, could deviate so far on a Wednesday night! So, I proposed a test of his good faith. I said I would like to act out with him, in a simple man-to-man situation, exactly the same kind of process he was endorsing in the "social security" system. He agreed.

"All right. Give me your wallet," I said.

"What do you mean?"

"Just this. You said it is proper for government to take from some, in order to give to others who are in need. I'm acting as 'govern-

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ment,' and I know three families between here and town who need the contents of your wallet more than you do."

"This is different!" he protested.

But his wife, who hadn't said much so far, spoke up.

"Give it to him, dear. He's got you trapped in your own arguments!"

Actually, I wasn't trying to trap him — only to help him think about this problem clearly. Then I asked him to consider what would happen if I were to rob him every day of a sizeable part of the fruits of his labors — in order to provide "security" for others. I pointed out that he might soon lose the incentive for activity. Like the people who have lived under the Pharoahs, the Caesars, the Czars, Kings, Queens, Committees, and other forms of tyranny, he would probably do no more than he had to, just enough to sustain his own life.

Of course, no one article can ever begin to explain the ideas and thought-techniques which the individual must acquire if he is to be a successful expositor of the freedom philosophy, and thus aid in the revolt against statism. But this one thing is certain: if any one of us is to help win this idea-revolution, he must be able to answer the questions that are on the minds of his fellow citizens — and answer them in the way that reveals the fallacies and dangers of socialism, and the inherent soundness of the free economy.

We Should Know The Answers

Judging by conversations with business friends and other associates, here are ten of the many questions which thoughtful people are apt to ask:

1. *How does inflation come about?* How much inflation have we had in this country since 1940? What does inflation mean to the man who has insurance, savings, or an investment in stocks and bonds?

2. *What is the present average investment per worker in American industry?* What has happened to the rate at which savings are being accumulated to invest in the tools of production, in order that the level of living might be maintained or improved?

3. *What have compulsory pension systems by industry done to the value of equities in these industries?* What is the significance of the fact that the "social security" program of the federal government is not a funded program?

4. *What is really meant by production?* Why was Karl Marx wrong in his "surplus value" the-

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ory? But what significance has the theory had in certain kinds of legislation in this country in recent years?

5. *What is meant by distribution?* What happens in the allocation of resources between different kinds of economic activity when this allocation is interrupted in its natural procedures and diverted by means of subsidies? Where do the funds come from with which subsidies must be paid?

6. *What is the significance of the Sixteenth Amendment,* and of other legislation that has been passed since 1913 to the concept of private property in this country? What is the meaning of private property? What is the basis for the idea that private property is important to a free market system? To a free political society?

7. *What is the function of exchange in a free market economy?* What is meant by a free market system? How can both parties to a transaction in a free market actually gain?

8. *What caused the depression that began in 1929 and extended through the thirties?* Is it correct to say that this was the breakdown of the free market system? Or was it rather the culmination of continued and regular intervention by government in our economy for a number of years prior to that time?

9. *In a free market system, how do we take care of the problem of concentration of "economic power"?* What is there to prevent continued concentration of economic power and domination of the whole society by a very limited number of persons?

10. *What is meant by competition?* What happens to an economy when it is curtailed or eliminated?

I would not pretend that I — or any other persons — have found fully satisfying answers to all of these questions. I have presented them simply as a challenge — an indication of how much understanding each of us must develop if he is to become a truly able expounder of the free economy.

So often it is a query — a simple, obvious question which we ought to be able to answer — that reveals to us how little we know.

Once I was at dinner with my family when an electric storm broke loose. With his back to the window, my five-year-old son did not see the lightning strike, but he heard the thunder. We all jumped.

"What makes lightning, Daddy?" he asked.

It was a natural question. But did you ever try to explain light-

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ning to a five-year-old?

While fumbling for the answer to that question, I wondered how soon he might be asking about other things: "What is socialism? What is capitalism? Or — what is individualism? What is a free market?"

And I hoped in my heart I would be able to explain these things so well that he, too, would want to join the great idea-revolution of our time — a revolt started almost two centuries ago by men who loved freedom more than life itself.

Imperatives for Survival

WE MUST RECOGNIZE, of course, that it takes much more than pure intellect to answer social questions. Great problems involving many people are usually handled in an atmosphere of high emotion and the participants often show but little evidence of being rational human beings. But, even though it acts slowly, it is certainly true that intelligence can and does have some influence in shaping mass emotions. It is in this slow modification of mass emotional patterns that the average intelligent person can and should play a continuing role within his own sphere of influence.

C. C. FURNAS, Chancellor of University of Buffalo
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MEN ARE SO ENGAGED by the homely pressure of each day as it comes, and the natural solicitudes of common life are so instant, that a bad institution or a monstrous piece of misgovernment is always endured in patience for many years after the remedy has been urged on public attention.

JOHN MORLEY, *The Life of Richard Cobden*

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A Duty of Management

THERE IS a growing sense of responsibility on the part of businessmen for the support of education. There are, also, certain responsibilities of business management to its stockholders, those who have invested their savings in the business. Included among these are:

1. Recruiting and training a labor force
2. Procuring sources of raw materials
3. Acquiring efficient tools and equipment
4. Developing economical manufacturing processes
5. Locating profitable markets, and
6. Making a decent profit

But more important than all these is the responsibility for preservation of the stockholders' property.

When "government ownership of industry" ideas are on the rampage, as they are now, and when the only antidote to these are "private ownership ideas," it is the duty of management to aid educational efforts which *promote private ownership ideas.* By the same token, it is the duty of management to withhold aid from those educational efforts which *support government ownership ideas.*

BEN MOREELL

Admiral Moreell is Chairman of the Board of Jones and Laughlin Steel Corporation. The above statement is from an address, "The Role of American Business in Social Progress," before the Indiana State Chamber of Commerce at Indianapolis, December 9, 1955. Copies of the address are available through the Foundation at 10¢ each.

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HIGH TAXES IN BRITAIN

John Heffernan

THE BRITISH, called by Napoleon a nation of shopkeepers, have become a nation of taxpayers. The number liable to tax has climbed to a peak of five out of six workers.

Over a third of the income of the average worker is extracted from his pocket in rates and taxes. The tax on incomes is steeply progressive, rising from 11¼ per cent to the standard rate of 42½ per cent, then on up to 87½ per cent for top earnings of a man getting more than $42,000 a year.

The burden of tax is six-fold the prewar level for a married man with two children who earns a modest $2,800 a year.

Penalized heavily, along with the skilled workers and top executives, are the companies or corporations. And yet they are the ones responsible for the greater part of economic activity and progress in Britain. In 1954, for 638 leading companies, four times as much was taken by the government in taxes as went to owners as dividends. From 1938 to 1953, the tax load increased by 956 per cent, while payment to the fund suppliers and risk takers — dividends and interest — rose only 43 per cent.

Mr. Julian Crossley, Head of Barclay's Bank, recently said: "If a man succeeds he is faced with the obligation of paying surtax, a tax which is so steeply graded that it must seem to many hardly worth-while making the extra effort to merit further promotion."

And as Lord Chandos, formerly British Cabinet Minister Oliver Lyttleton, said not long ago: "Present taxes remove all incentive to earn above about £4,000 ($11,200) a year net."

Mr. L. S. Hargreaves, chairman of a cable company, says that the "rabid tax collector . . . thinks nothing of keeping us working night and day to satisfy his rabid demands."

The situation is well summed up by Mr. J. Gibson Jarvie, head of a financial trust, who said last

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August: "Taxation of companies and individuals is so burdensome that it threatens to break us. The government takes too large a share of our incomes. In the higher brackets taxation practically amounts to confiscation. More than half our profit goes in taxation. In effect the whole of our organization has for more than six months out of the twelve months been working for the government, and in addition practically every member of the organization has had to pay part of his earnings in tax!"

And he said further that "inflation will continue just so long as our vast over-taxation supports profligate State spending."

Escape from Taxes

British people are reacting to these burdensome taxes in three ways. Some rebel in peace, which means that they no longer risk venture in enterprises and no longer work hard for pay that would mostly be taken from them. Some leave the country, for greater opportunities elsewhere. Some — and this is a new, encouraging development — are openly fighting for their rights to keep more of what they produce away from the rabid tax collector.

The peaceful rebels have posted their accomplishments every day and year, in the sluggishness of British productive progress. All the British people, including the taxgatherers and the tax spenders, help bear the brunt of going without what is not produced.

Those who emigrate from these savage taxes include the British companies with overseas interests who find it profitable to move out. Most of the Rhodesian copper mining enterprises, for instance, have emigrated in the past five years. And there are many, many others which have escaped the tax collector in the same way.

Individuals have also chosen exile. In Britain the nobility has suffered with others under the lash of the taxgatherer. So many of them with inherited wealth yet having minds active enough to enable them to earn a living and increase their wealth have found "the game is not worth the candle" in Britain. A curious result has been that the tiny English Channel Islands — where the tax is only 20 per cent and not 87½ per cent — have attracted so many English peers that it is said, "There hardly seems room to hang up a coronet in Jersey." There Lord Louth runs a photographer's business, Lord Decies a tea room, the Earl of Jersey has big catering interests, while Lord Kenilworth and Lord Stanley of Alder-

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ley are also to be found on this island which only has a population of 50,000. It is a holiday resort and scope for enterprise is limited. But if peers of the realm engage in finance or industry in Britain, their inherited wealth would already have put them in the top tax paying class so that the tax on their additional earnings would reduce their net earnings to a nonsensical figure.

Those who have remained under the yoke of taxation have recently been stirred anew into open rebellion by legal means. For instance, the heavy burden of tax has finally led a group of British businessmen to establish the Council for the Reduction of Taxation. Run by a chartered accountant, Commander Hyde Burton, the Council has the support of many leaders of finance and industry.

Having long said virtuously, "I'm not interested in politics," British businessmen have at last found that these high taxes must be paid anyhow. One person alone can abstain from politics, but he cannot abstain from taxes until he and enough other persons somehow free themselves from the yoke. He now sees that he has a duty to support the capitalist system on which Western civilization is based. He sees that not only is it up to him to put his hand in his own pocket to support educational work in defense of his property, but also his company advertising might well be directed to explaining how business really works under capitalism. He has come to see that failure to put forth the capitalist case is to commit political hari-kari both personally and companywise.

How the Income Tax Came to Britain

The income tax is a modern invention in Britain and was so small as to seem unimportant at its birth. In 1884, Gladstone first hinted that such a tax was to become permanent.

Gladstone, in an earlier election campaign, had promised among other things to repeal the tax, which was a mere fraction of one per cent. He lost the election. Back in office later, he sourly but prophetically said:

"The matter was referred to the country at a General Election. They declined the offer of abolishing the tax that was then given them, and I can promise that a sufficient number of years will pass over the heads of Englishmen before they will have another opportunity of abolishing it."

As to the progressive aspect of taxation, Gladstone said that it was "tending to communism." By

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undermining economic prosperity and property rights, that is exactly what high progressive taxes are doing in Britain today.

In addition, high taxes have undoubtedly conspired, together with social security, to sap the will to work — the real tragedy of high taxes in Britain. Instead of working harder, the family man goes home to watch TV while the younger man takes his girl for a walk or spends more time in sport. Hard work, instead of retaining its status as a Victorian virtue, is now treated with scorn. Why work when taxes and public subsidies like housing and medical benefits reduce both the incentive to work and the apparent need? Sapping the will to work and to save is fundamentally immoral.

There are other indirect moral effects of high taxes, too. For example, it is no accident that there is a high volume of betting in Britain. Taxes take away the rewards of extra effort so much that risking small bets for a chance of large tax-free betting gains has special attraction.

High taxes even undermine the family — the basis of a Christian society. They drive the mother out to work to earn a mere $15. In order to get an extra $15, her husband would have to work long enough to earn $23, as $8 would go in tax. So we see the unhappy spectacle of mothers neglecting their children while they go out to work, while fathers work only 35 to 40 hours a week.

Such is the plight of Britain today as she fights against communism for the survival of Western civilization. In this fight she is handicapped by oppressive taxes, about which even the British Chancellor of the Exchequer, Mr. R. A. Butler, has become concerned. He labels as folly the policy of heavy progressive taxation which he says "acts as a very positive discouragement of extra effort." And beyond that, it is not only immoral but is also the tool of socialist method, undermining the ability of Britain to resist both a frontal attack by Russia or the establishment from within of open communism.

COMPETITION can no more be done away with than gravitation. Its incidence can be changed. We can adopt as a social policy, "Woe to the successful!" We can take the prizes away from the successful and give them to the unsuccessful. It seems clear that there would soon be no prizes at all . . .

WILLIAM GRAHAM SUMNER, *The Forgotten Man's Almanac*

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Town Meetings — 1956 Style

Charles Hull Wolfe

Study and discussion groups, conducted by libertarians, provide a vital way to aid the cause of freedom.

THIS SPRING, libertarians across the country can obtain the practical aids and counsel that will enable them to set up, in their own communities, what might be termed modern-day Town Meetings—study and discussion groups devoted to a more widespread understanding of individual rights and strictly limited government.

While the Foundation for Economic Education will have no formal organizational association with any such groups, it does have available — to help those who would like either to conduct or to attend these meetings — the following:

1) A newly-reprinted book by James Mussatti, which analyzes the concept of limited government as it first appeared in America and was formalized in the Constitution. This volume has been proved by long experience to be particularly well-suited to such discussion groups.

2) An extensive Study Guide, just completed by Thomas J. Shelly, a FEE Staff Member, which is now incorporated into the book, making it more valuable than ever for discussion groups.

3) Packets of pertinent reference materials, including all those FEE-published articles and pamphlets referred to in the new Study Guide.

4) A multilithed article, free on request, about how to start and conduct such groups, based on the ten-year experience of libertarians on the West Coast.

Also, those who wish to be discussion leaders may write to me, and in some cases I may be able to help locate other like-minded individuals in local areas.

Before going into detail concerning this activity — how it has operated in California, and how it can be started in other parts of the country — I would like to analyze briefly what could be called the evolution of the conscientious libertarian, to see how a study group might fit into his development.

Mr. Wolfe is a member of the staff of the Foundation for Economic Education.

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THERE is one experience which nearly everyone shares upon awakening from the hypnosis of collectivism. Once the trance is shattered, and the victim is aroused from the dream which glorifies American-style socialism, he is suddenly aware of the presence of danger. This presence can be to him an almost living thing — a bleak, spectral form warning that his country has taken the wrong road, and is fast traveling into the starless night of totalitarianism.

Response to danger is often instantaneous, and the recently-alerted citizen may be seized with the compelling desire to awaken others. But, if well-advised, the newly-aroused disciple of freedom will not rush forth to buttonhole the first passerby; he will refuse to commandeer the nearest soapbox, or even the most accessible microphone; and he will not plunge his primary efforts into some "action group" intent merely upon repealing old laws, aborting would-be laws, or making new ones.

Rather, he will recognize that interventionist laws are like limbs of a tree — that clipping at the branches will only prune the main structure and make it grow. This structure will flourish until the tree is chopped down at the roots: the beliefs which are collectivism's foundations.

The student of liberty will perceive that he must uproot these beliefs in himself, before he can help eradicate them in others. He will see that he himself must grasp in detail the fallacies of socialism and the merits of limited government and the free market — before he is prepared to expound to his fellow men.

So the sincere libertarian sets himself to the challenging task of self-improvement: reading, studying, thinking. Occasionally, he will share his ideas with others—often one at a time, as opportunity appears.

But as he develops, and detects still more clearly the pressing need for America's politico-economic re-education, he is apt to ask out of the urgencies of his own conscience: "What else can I do? Isn't there some other way I can be more useful in helping others understand?"

I say: "Yes, I believe there is."

FOR SOME ten years a relatively small band of libertarians in San Francisco has been working with a method which has been tried and found most useful. This method has been employed with approximately equal success in the city and suburbs, by women and men; it has been conducted effectively by persons of varying degrees of

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education and experience, and has demonstrated its value in making better, more articulate libertarians.

This activity might be viewed as a re-establishment of one of early America's most colorful and valuable institutions, now virtually extinct — the Town Meeting. Not the Town Meeting which constituted a local legislative or even advisory body, but the kind which assembled simply to discuss and share ideas, as Bragdon and McCutcheon describe it in *History of a Free People* (Macmillan, 1954):

> European travelers in America were amazed to find that political discussions at public inns were joined intelligently by everybody from college-educated gentlemen to stableboys.

Today, with so many alien notions rampant, such a casually-conducted free-for-all would not serve to promote a free society. So those in San Francisco had to evolve, through experimentation, a kind of study and discussion group which could best advance libertarian ideas.

One thing was immediately apparent: Such groups have to be conducted from a definite perspective — the libertarian outlook — and are not in business to "present both sides." This means the discussion leader should be a well-rooted libertarian; and he or she ought to make it clear to those who attend that the group exists to encourage a better understanding of a free society. Participants do not have to be libertarians, and many at first may come with considerable reservations about the philosophy of limited government and a free market. But all must acknowledge that the group's purpose is to elucidate such ideas, and should be receptive enough to be willing to explore these concepts.

It was also obvious to those in San Francisco that it is not enough merely to have "discussions," without prior preparation. Such meetings easily deteriorate into idle talk. Each discussion period should be preceded by individual study of specifically assigned material.

From the beginning, the Golden Gate groups found this to be one of the most vital questions: What subject matter should be covered? A lesson learned the hard way — generally, people are more interested in current events than in principles; but if there is preoccupation with timely issues before the group has grasped the principles of individual rights and minimum government, discussion is apt to be fruitless.

Writing on this point, one of

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the San Francisco discussion leaders said:

During a six-month period, when the group stuck to fundamentals, attendance dwindled from about 25 to 10-12 people. When current topics were announced, attendance suddenly increased to 18-20 persons. Those who did not have the background of principles were continually taking the side of the social planners, and could see no wrong in governmental aid and intervention. They glibly stated that what was principle to one individual was not necessarily principle to another.

It was difficult to discuss the subjects without turning the meeting into heated debates. After several such meetings, it was seen that nothing constructive was being accomplished, so the group discontinued current topics and returned to the study and exploration of principles.

WHAT IS the best way to present principles? Here is what the San Francisco group found: Its ideal solution was to center study around the Constitution of the United States.

This does not mean preoccupation with the merely technical details of our national charter; it does not imply overlooking such basic issues as rights, morality, and force, nor does it necessarily involve overemphasis on political rather than economic aspects of freedom.

It simply means that experience has shown the Constitution to be uniquely suited as a discussion group focal point, around which basic ideas can be elucidated. Many persons who have at first only moderate libertarian leanings, and little interest in economics, do have a desire to learn more about their nation's foundational document. Thus a Constitution Study Group can attract a fairly broad audience, and gradually evoke an interest in and understanding of a free economy and a strictly limited, noninterventionist government.

The discussion leader can explain the merits of voluntary transfer of goods and services, unhampered by government interference; and point out that this is possible only when the role of the State is carefully limited and defined in a basic legal document. Then he can observe that the original Constitution, if properly understood and strictly interpreted, is — to a large extent — such a document; although, admittedly, it was the result of some compromises and does allow the federal government certain areas of authority which seem questionable to some thoughtful persons.

During the discussion, it will be seen that the original spirit of the Constitution has been largely lost; and that by means of amend-

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ments and misinterpretations, the Constitution has been twisted and bent, thus allowing it to offer ostensible sanction to America's creeping socialism.

The San Francisco Discussion Leaders always present an introduction to the study of the Constitution. Their foundational convictions might be summed up thus: God has endowed man not only with certain inalienable rights, but with a capacity to discover essential truths and to distinguish right from wrong. If one reasons from moral principle, he will find that actions can be rationally classified as either primarily black or white—that there is no need for an endless scale of grays.

Working from these premises—that man can perceive basic fundamentals and recognize good from bad — they conclude that a neutral point of view on issues is indefensible; and that one must, as soon as he can bring the component elements into focus, take one side or another. A man should have convictions, and act accordingly.

Among the basic truths, they cite these:

1) The individual — not the group — is primal. We should accept the individual as the basic unit of society, and think things out from the basis of what is right for the individual.

2) The Ten Commandments are the foundation of morality. Individual morals are the only morals and apply as directly to millions in societal and political relationships as to two people in a personal relationship.

3) The way to help others is to help them help themselves; we should not do these things for them which relieve them of their own responsibilities, nor should we try to force our ideas upon them.

4) Resorting to moral compromise, compulsion, or sheer expedience is destructive — whether in individual or national life.

5) Government exists only to serve the people, in the sense of securing them in their rights; people do not exist merely to serve the government.

From these precepts the discussion chairmen have gone on to voice the conviction that the U.S. Constitution is based on moral law, and is the finest national charter yet put into practice; and that much of what is wrong in government today is a result of a misconception of this document.

FORTUNATELY, the San Francisco groups early discovered an excellent volume by James Mussatti, a

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former instructor in history at the University of Southern California. For years, this book, originally titled "Constitutionalism," was used with great success by the study groups. They found it so valuable that they urged the Foundation for Economic Education to republish it, complete with a FEE-created Study Guide. The Foundation took on the task. Tom Shelly has just finished the Study Guide, which is most comprehensive and provocative, and includes — for each chapter — a detailed topical outline for study, abundant questions on the text, and interesting additional references which further reinforce the book's libertarian viewpoint.

The new volume, published by D. Van Nostrand Company and also available through the Foundation, is re-titled *The Constitution of the United States.* Complete with its new built-in Study Guide it runs to 176 pages, and is priced at $2.00 paper-bound and $3.50 clothbound for individual copies. A discount is offered on bulk orders.

Anyone who wants a libertarian insight to our Constitution — and the gradually-unfolding development of the understanding of individual rights and limited government — as seen in the Magna Carta, Petition of Right, and English Bill of Rights, as well as the philosophy of Locke, Montesquieu, and Blackstone — should read this book. It will be especially valuable to those who would like to be discussion chairmen. One participant in the West Coast groups wrote:

> Our greatest problem has been to get capable leaders. Therefore, I am very pleased that Mr. Shelly has made a Study Guide for Mr. Mussatti's book. I feel it will be of great help to a comparatively inexperienced leader.

In addition to the book and Study Guide, the Foundation offers packets of reference material, along with a multilithed explanation, "How To Start and Conduct Constitution Study Groups." To obtain the Mussatti book, the packet price list, or the multilithed article, write to: Study Groups, FEE, Irvington-on-Hudson, New York.

ANYONE WHO wonders just how fruitful such an activity can be, should have been with me recently when I talked with about 50 members of a Constitutional Discussion Group in San Francisco. All were l i b e r t a r i a n s — active, thoughtful, articulate.

Writing me about their experiences with the study groups, members made such comments as these:

I was raised in a family which

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accepted the Welfare State philosophy. Anyone who presented an argument against social security, federal aid projects, government schools, and the like, I crossed off as selfish and unfeeling. That is, until I started attending the discussion group and began to understand the concept of minimum government and man's rights with which this country began.

Before joining the Constitution Study Group, we felt that governmental affairs were to be left to the politicians—that we were just "average citizens" too busy with our own activities to concern ourselves with local or federal conditions. Now our thoughts have been awakened, through the Constitution Discussion Group, to the vital importance of all that concerns our government, beginning with the basic principles — especially the rights of the individual.

Through our meetings I have replaced the "divine right of kings" or of the State with the "divine right of the individual." I have learned that Americans grant government certain responsibilities, but that government — not being an entity — can grant nothing. I have discovered that the best government is the least government — that limitless wonders are achieved when the individual is left to his own enterprise and ingenuity.

At the time I started attending, I would classify myself as an average American, loving my country but confused and disturbed by socialistic trends, yet unable to diagnose them. Gradually I discovered that the chief aim of the Founding Fathers was the preservation of the sanctity of each individual; and that this liberty could only be maintained by a limited government set up as a republic. I had found a yardstick. As a result, I am no longer confused about the merits of social legislation, and have learned to stand for individualism.

A few of the letters were reminiscent of accounts from early American history which tell how some of our national figures emerged in the stimulating atmosphere of local Town Meetings. Henry Clay as a young man had always been exceedingly timid. But one evening, after long and silent attendance at the discussion club in Lexington, he finally got to his feet and delivered a fumbling but brilliant discourse. It was the start of his public career.

The Town Meetings of today — such as the Constitution Study Groups — offer an opportunity to re-create the kind of alert, informed citizenry which originally made this country great. Here is one practical answer to those lovers of liberty—of the free market and limited government — who ask: "Isn't there something else I can do?" Yes, you can start, or join, one of the new libertarian Constitution Study Groups.

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THE ROAD TO ABSOLUTISM

Joseph L. Call

JUSTICE Paterson, speaking of the erosion of constitutional government and its inevitable trend to absolutism, puts it thus: "Power is insatiable and if left unchecked will create what it wishes. Innovation is dangerous; one encroachment leads to another, precedent gives birth to precedent; what has been done may be done again; thus radical principles are broken in upon and the constitution eventually destroyed."[1] And the court might well have further added that this danger is more potent in our case of a written constitution because the *forms* of the written constitution captivate the people long after its soul has fled.

History is replete with examples of the emergence of totalitarian governments through constitutional erosion. Taking for illustration the history of Greece during "The Golden Age"[2] we find that at the inception of the sixth century Greece was composed politically of an aggregate of small and numerous independent states very loosely associated as the Peloponnesian League. Autonomy, self-government, and independence from intermeshing alliances were the most sacred of all political principles. However, after the victories over Persian aggression in Plataea and Mycale (479 B.C.) the cornerstone was laid for a more binding alliance between the autonomous states. Aided by these triumphs and capitalizing on the sense of a common peril, Athens made the first determined effort to break down the barriers of independence and autonomy implicit in the Greek political system. The effort was successful and the independent states were brought into combination, the union being known as the Delian League.[3]

While the autonomous states were told and believed that the League was to be but a confederation of independent units, the underlying purpose was the gradual subordination of the autonomous states to the coalition under the cloak of expediency. Thus, while

1 Valhorn *vs.* Darriance, U. S. Reports, 2 Dallas, p. 311 (1795).

2 Ascribed as the fifth and sixth centuries B.C.

3 Created 477 B.C.

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superficially formed as a confederacy, there was written into the League three attributes of sovereignty that vitiated greatly the power of the component states. There were 1) a permanent executive, 2) mandatory payment of taxes into a common treasury, 3) periodic meetings held by the council.

From the first, Athens seized power. The fleet was predominantly Athenian; since the ostensible purpose of the taxes was to support the fleet, Athens did the collecting and the spending as she saw fit. The right of secession was left undecided in the original articles of federation, but Athenian military supremacy would have made such stipulation of no value in any event. By the middle of the fifth century the power of Athens, left unchecked by the ineptitude and inefficiency and later by impotence of the confederate states, took over. Absolutism was the political pattern and all pretense of the Delian League was completely discarded, and in its place arose the totalitarian Athenian empire.

Thus through political cunning and unscrupulous artifice, the self-government of the component states vanished and the empire was supreme. Ultimately the Athenian Empire gave way to the Spartan Empire, and it in turn was shattered at Leuctra (371 B.C.) and on its ruins was built the hegemony of Thebes, an empire in all but name. Thus was tyranny enthroned on the ruins of the once free and independent states.

THE HISTORY of Rome furnishes us with a close parallel. Originally a republic, the insatiable appetite for power ultimately devoured the principle of self-government underlying its constitution. While the erosion of self-government was gradual, complacent, and leisurely, the action was nevertheless constant and continuous, until approximately 45 B.C. when Caesar, flush from his triumphs after the victory of Munda, demanded and received from the Roman Senate a "perpetual dictatorship." This decree was followed by the repudiation of the last vestiges of constitutional government, and political corruption was reduced to a science. The republic was concluded; totalitarian government took over, and there followed a series of emperors and dynasties reaching into the year 1453 A.D.

It is a common practice with those who assume power over others to camouflage their assumption of power with the *forms* of the prevailing constitution and

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in the name of democracy. Caesar operated "as the champion of the people" and so did his successors, Augustus and Tiberius. In each of these cases fraud was perpetrated on the people by purporting to maintain the *outward forms* of democratic and republican government, while at the same time each united in his own person all of the leading offices and used them to give legal title to what was essentially military despotism. It is such a situation that Chief Justice Fuller of the United States Supreme Court had in mind when he said, "Our form of government may remain . . . but . . . it is with governments as with religions, the form may survive the substance of faith."

THE DANGER in the United States is that the constitutional principles of liberty and popular sovereignty are being secretly and slowly undermined and destroyed. Basically this is due to a lack of sufficient limitations and restrictions upon the power of government. At this time, and particularly during the last 20 years, the Constitution through construction, interpretation, and interpolation has been molded to cover a profusion of federal powers never intended under the Constitution. The power of the people to amend or alter the Constitution is provided for fully in the document itself. To take away in effect this right through judicial or executive construction is actually peculating the sovereignty and the rights of the people and is usurpation of power by those sworn "to preserve and protect the Constitution."

One of the basic reasons for the decadence of constitutional government since the early 1930's is the moral corruption of the people by the exercise of paternalistic power. It must be remembered that the intrinsic principle of good government is self-government, and self-government demands individual responsibility. The attempt to create a Utopian government is to destroy the reliance of the citizen on himself, and hence his freedom of action. Governmental paternalism is a slow anesthesia and can and will stymie all advance as surely as individual initiative has been dethroned in Russia.

The usurpation of power through imperialistic foreign ventures also has taken its toll of self-government and constitutional principles. The role of "World Guardian" that our government has assumed has already resulted in 1) the displacing of legislative dissent with biparty conformity, and 2) unconstitutional strengthening of the powers of the execu-

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tive. On the subject of biparty conformity on political questions there is no real difference at the present time between our two great political parties despite the popular clamor to the contrary. Both the Democratic party and Republican party have adopted the socialistic philosophy and principles, under other names.

On the matter of imperialism it may be pointed out that since this policy was unofficially adopted in 1945, the power of the President has expanded as if by necromancy. Power to enact international and internal law without act of Congress by executive agreement[4] is countenanced, and involvement in foreign war without act or declaration by Congress has become a *fait accompli*.[5]

No other governing power in the history of the world has ever dissipated the resources of the country in the advancement of paternalistic and imperialistic policies as freely as has the United States government in the last 15 years. Aside from the heavy taxation this has put upon the people, the federal bonded debt has been run up to approximately 280 billion dollars, added to which there is at least 225 billion dollars of federal guarantees. If we add to this the 200 billion dollars of city and state obligations outstanding, the current liabilities of the country stand at approximately 700 billions. And the debt is rising steadily. At least 12 billion dollars have been added to the bonded indebtedness of the United States since 1952, and at the present time the interest charge on the bonded indebtedness is close to 7 billion dollars. If, as, and when the low interest bonds and short-term notes mature, they must constantly be refunded at higher rates. Hence, it is only a matter of time until the total interest charge will mount to 9 or 10 billion dollars annually.

These conditions of constitutional decadence through paternalistic and imperialistic policies can only be overcome by a repudiation of the self-surrender that has taken place in the country and a determined return to the principle of limited government. This calls for a public disavowal of such policies and for a withdrawal of the powers acquired by Washington. And that calls for public-spirited leaders who are motivated solely by the desire to return to basic Americanism, another name for which is freedom.

4 See, U. S. *v.* Belmont, 301 U. S. 324; U. S. *v.* Pink, 315 U. S. 203 (1942); Valentine *v.* U. S., 299 U. S. 5.

5 The Korean War

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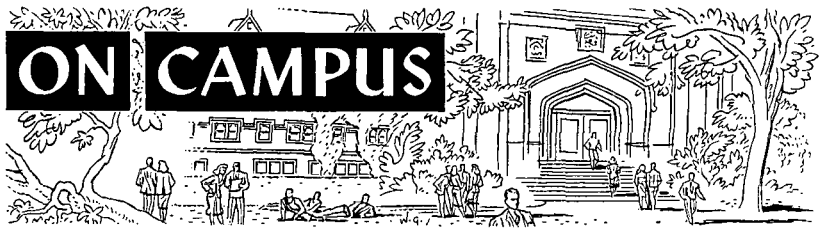

INTERCOLLEGIATE debating in the United States goes back to the 1870's when teams from New York University and from Rutgers challenged one another. Such local rivalries gradually grew into regional contests and, more recently, into a national program with a single resolution selected annually for competition in colleges and universities.*

A committee of the Speech Association of America, a department of the National Education Association, drafts four or five resolutions on which college debate coaches vote. The winning resolution becomes the national debate topic for the year.

Recent college debate topics have been: a permanent policy of wage and price controls, a compulsory (federal) fair employment practices law, free trade, and diplomatic recognition to the Communists of China. The current resolution reads:

RESOLVED: That the nonagricultural industries of the United States should guarantee their employees an annual wage.

In other words, the college debate teams are examining one version or another of the ancient and continuing debate between economic freedom and political control — open competition versus the welfare state.

From many debate coaches and from students themselves have come pleas for literature and material explaining and upholding the case for the competitive market and limited government. There are so many ways of planning, so many "experts," so many brilliant arguments for minding all the world's business except one's own! Most seriously lacking are sound and appealing arguments in behalf of personal choice and freedom.

The Foundation for Economic Education is striving to help fill that void. Each year, as soon as the college debate topic is announced, Miss Bettina Bien of the Foundation staff assembles and offers on request packets of the best material she can find on the libertarian side of the issue.

The packet available this year, and already requested by approximately 500 college debate teams, emphasizes that a worker's best guarantee of security lies not in a politically enforced "deal" but in the real bargaining which involves willing exchange with others in a free market economy.

* A similar national program is conducted at the high school level. See "Reaching High School Debaters" in THE FREEMAN, December 1955.

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Why Wages Rise:

1. LABOR UNIONS?

F. A. Harper

Wage rates are higher in the United States than in any other country. And they are about five times as high here as they were a century ago, in purchasing power.

Many explanations of this phenomenal rise have been attempted. Dr. Harper proposes, in successive issues of THE FREEMAN, to analyze the causes and the non-causes. In this first installment he deals with the proposition that labor unions have caused wages to rise.

THE RECENT joining of the two major labor unions in the United States met with mixed emotions. On the one hand, such concentration of power anywhere in society frightens those who know its evil consequences. But on the other hand, the move is accepted as part of the long-time progress of unionization which is commonly believed to be the cause of our high and rising wages. "So," say many, "the fruits are worth the risk."

The belief that unions cause wages to rise seems to be borne out by simple observation: In repeated instances it is observed that a labor union demands a rise in wages for its members. An argument ensues between the union and management; there may even be a strike. Sooner or later a wage rise is granted — if not for the full amount requested, at least for a major part of it. Other firms then have to meet this new rate or lose workers. So it appears, ipso facto, that wages in general are raised by union activity.

Such a close-up observation, however, may lead one to see things that are not so, as the proverbial fly on the chariot wheel believed that it propelled the vehicle. One must stand off a bit from the publicized union activities if he is to gain a true perspective on whether they cause average wage rates to rise. One needs, for this purpose, a telescopic view by which to compare the long-time trends of wage rates with changes in union membership.

On the accompanying chart,

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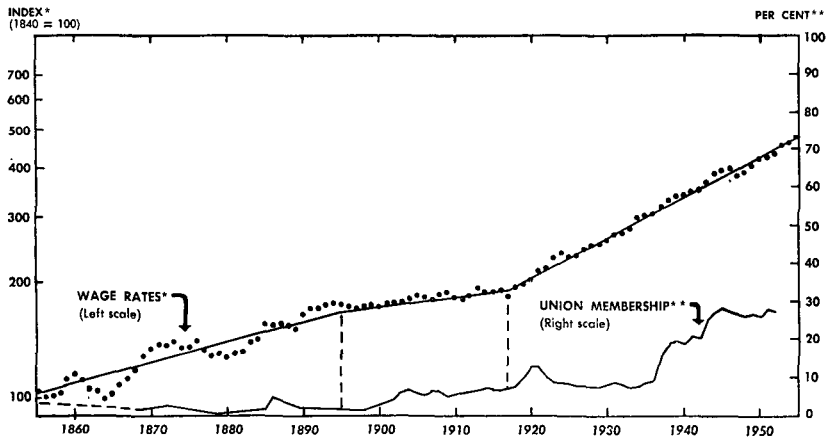
WAGES AND UNION MEMBERSHIP — UNITED STATES



*Wage rates are in terms of what could be bought with an hour's wage.
**Union membership is in per cent of all gainful workers.

hourly wage rates in the United States are shown by the upper line. Wages will now buy nearly five times what they would a hundred years ago. The chart is constructed so that a constant *rate* of change in real wages would appear as a sloping straight line. Progress in an advancing economy seems to work that way, so that wages tend to rise in the manner of compound interest.

Wage trends in the United States over the past century have fallen into three distinct periods: a yearly increase of 1.27 per cent for the period 1855-1895, a yearly increase of 0.55 per cent for 1896-1916, and a yearly increase of 2.47 per cent for 1917-1955. The reason for these changes in trend is a large question, which will be considered here only as it relates to union membership.

The lower line on the chart shows union membership in per cent of all "gainful workers" in the United States. Here too are three distinct levels: A negligible union membership prior to 1900, then a rise at the turn of the century to a level of about 6 to 9 per cent which prevailed from 1903 to 1936, and then a sharp rise to a little over one-fourth of all workers as members of unions for the past ten years.

So the trend in wage rates and

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in the proportion of workers who are union members have each had three distinctive periods during the past century. But if we compare the two lines carefully, no noticeable relationship between the two is to be found. Neither wage rates nor union membership could be predicted from the other, with any accuracy whatsoever. Try it. After covering the lower line, try to draw one to represent union membership based only on this evidence about wage trends, and vice versa. By comparing your estimate with the facts, I'm sure you will agree that changes in wage rates are quite unrelated to changes in union membership.

1. *Assumption*: If unions were presumed to be the cause of rising wages, one would expect wages to have been at their lowest point — and to have remained at about the same low point — from 1855 to about 1900, when union membership was negligible.

Fact: Wages rose appreciably over the period. They doubled within a man's working lifetime.

2. *Assumption*: Whatever the cause of the rising wage rates in the earlier period when union membership was negligible, one would expect it to have continued. But he would, in addition, expect the rise to be accelerated with the rise in union membership about the turn of the century.

Fact: The rate of rise in wage rates from 1896 to 1916 was less than half that of the previous fifty years.

3. *Assumption*: One would expect the sharpest rise in wage rates to come when union membership was having its most rapid increase — from 1936 to 1945 — and then to have leveled off when union membership stopped rising.

Fact: The rate of increase in wage rates which began at the close of World War I continued with amazing consistency for the entire period from 1917 to 1955.

From this evidence one must conclude, I believe, that wage rates show no clear response whatever to changes in union membership.

If one says that the two lines are related but there is a lag in time of some 15 to 20 years, the evidence would be that rising wage rates cause union membership to rise, not vice versa. In any event it is the opposite of the theory that unions cause wage rates to rise. Consequences do not happen before their causes.

And so this popular illusion that rising wages are due to the growth of labor unions must be discarded if there is to be any room for at-

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tention to other possible causes.

As a preview to the answer as to what makes wages rise, I will merely say here that wages can be paid only out of what is produced. Something other than your joining a union is what increases your hourly economic output—now five times that of your great-grandfather's a century ago.

ECONOMISTS and POLITICIANS

Ludwig von Mises

THERE ARE no ivory towers to house economists. Whether he likes it or not, the economist is always dragged into the turmoil of the arena in which nations, parties and pressure groups are battling. Nothing absorbs the minds of our contemporaries more intensely than the pros and cons of economic doctrines. Economic issues engross the attention of modern writers and artists more than any other problem. Philosophers and theologians deal today more often with economic themes than with those topics which were once considered as the proper field of philosophical and theological studies. What divides mankind into two hostile camps, whose violent clash may destroy civilization, is antagonistic ideas with regard to the economic interpretation of human life and action.

Politicians proclaim their utter contempt for what they label as "mere theory." They pretend that their own approach to economic problems is purely practical and free from any dogmatic prepossessions. They fail to realize that their policies are determined by definite assumptions about causal relations, i.e., that they are based on definite theories. Acting man, in choosing certain means for the attainment of ends aimed at, is necessarily always guided by "mere theory"; there is no practice without an underlying doctrine. In denying this truth, the politician tries in vain to withdraw from the criticism of the economists the faulty, self-contradictory and a hundred-times refuted misapprehensions directing his conduct of affairs.

The social function of economic science consists precisely in developing sound economic theories and in exploding the fallacies of vicious reasoning. In the pursuit of this task the economist incurs the deadly enmity of all mountebanks and charlatans whose shortcuts to an earthly paradise he debunks. The less these quacks are able to advance plausible objections to an economist's argument, the more furiously do they insult him.

Plain Talk, September 1949

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The Voluntary Basis of Trade Unionism

Samuel Gompers

GUIDED by voluntary principles our Federation has grown from a weakling into the strongest, best organized labor movement of all the world.

So long as we have held fast to voluntary principles and have been actuated and inspired by the spirit of service, we have sustained our forward progress and we have made our labor movement something to be respected and accorded a place in the councils of our Republic. Where we have blundered into trying to force a policy or a decision, even though wise and right, we have impeded, if not interrupted, the realization of our aims.

No lasting gain has ever come from compulsion. If we seek to force, we but tear apart that which, united, is invincible. There is no way whereby our labor movement may be assured sustained progress in determining its policies and its plans other than sincere democratic deliberation until a unanimous decision is reached. This may seem a cumbrous, slow method to the impatient, but the impatient are more concerned for immediate triumph than for the education of constructive development.

As I review the events of my sixty years of contact with the labor movement and as I survey the problems of today and study the opportunities of the future, I want to say to you, men and women of the American labor movement, do not reject the cornerstone upon which labor's structure has been builded — but base your all upon voluntary principles and illumine your every problem by consecrated devotion to that highest of all purposes — human well-being in the fullest, widest, deepest sense.

We have tried and proved these principles in economic, political, social, and international relations. They have been tried and not found wanting. Where we have tried other ways, we have failed.

From final presidential address to AFL Convention, El Paso, Texas, 1924.

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Economics, "Inter Alia"

Paul L. Poirot

INTER ALIA is a Latin phrase meaning "among other things," and that is precisely the place to look for the economic policies of the United Nations. Article 55 of the Charter authorizes the United Nations to promote, *inter alia*, "higher standards of living, full employment, and conditions of economic and social progress and development." And each year, hundreds of books and pamphlets pour forth from the organization in furtherance of that objective.

Now, it is one thing to believe that individuals are self-responsible and that they may be trusted with the ownership of private property. In that case, economics simply pertains to the peaceful application of useful things to the satisfaction of human wants, as implemented by the processes of competitive bargaining and voluntary exchange.

But "economics, *inter alia*" is not the simple economics of voluntary exchange. Among other things, it is not economics at all; it is politics. And politics is always loaded with *inter alia* — with miscellaneous considerations — especially at the international or world level. It cannot be otherwise. The theory of political action holds that even if the individual knows what he wants, he probably does not know best how to get it or use it. Public officials presume to guide an irresponsible electorate. Property is subject to seizure for "public needs." And there are no solid foundations for competitive bargaining and voluntary exchange.

Sifting through voluminous United Nations publications might eventually reveal the platform for "economics, *inter alia*." But months of careful sifting would yield no material variation from the measures set forth in the *Communist Manifesto* of more than a century ago.

Though Karl Marx and Frederick Engels were speaking in 1848 of the application of "economics, *inter alia*" within a country, they must surely have had in mind that theirs was a blueprint for world government — an international program which could not logically be restrained within the bounds of

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Dr. Poirot is a member of the staff of the Foundation for Economic Education.

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nationalism. Private property and private enterprise anywhere in the world must always be considered by master planners as a challenge and fair game. There can be no logical stopping place, short of world government, for the person who thinks he is qualified to plan the lives of others.

IT IS NOT proposed here that the United Nations brand of "economics, *inter alia*" originated with Marx and Engels — only that nothing new has been added since their outline of the doctrine. The wording changes through the years. Instead of calling for "abolition of property in land" (Manifesto) the United Nations calls for "changes in deep-rooted customs and practices, resettlement, land reform, large-scale irrigation and conservation projects, and other far-reaching actions" (U.N., Preliminary Report on the World Social Situation, 1952, p. 4), and periodically publishes reports on the "progress" of land-reform measures in various nations.

It isn't necessary for the United Nations to advocate "a heavy progressive or graduated income tax." Few, if any, member nations have failed to adopt that socialistic measure, and it certainly is the method by which United Nations projects are financed.

Instead of the negative "abolition of all right of inheritance" (Manifesto) the United Nations Covenant on Human Rights accentuates the positive "right of everyone" to food, clothing, social security, adequate housing, adequate standard of living, the highest standard of health obtainable, *inter alia*. The International Labor Organization, remnant from the League of Nations, is the champion of this "human rights" branch of *inter alia*.

The United Nations idea, of course, affords no opportunity for emigration or rebellion, so there need be no special confiscation procedures against "the property of all emigrants and rebels" (Manifesto). "Centralization of credit in the hands of the State" (Manifesto) has its United Nations counterpart in the World Bank, the International Monetary Fund, and the International Bank for Reconstruction and Development.

THE relative youth of the United Nations probably explains why there has not been more action toward the "centralization of the means of communication and transport in the hands of the State" and the "extension of factories and instruments of production owned by the State; the bringing into cultivation of waste

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lands, and the improvement of the soil generally in accordance with a common plan" (Manifesto). But the respective national governments of the world, including our own, have already moved far in the direction of nationalized transportation, communication, and industry generally. This machinery of State ownership and control stands ready for the time when the United Nations wants to take charge. Meanwhile, the United Nations emphasis on State control of the "right to work" sounds suspiciously like the Marxian "equal liability of all to labor" (Manifesto). And what else is the modern public works project if not the "establishment of industrial armies" (Manifesto)?

The United Nations certainly does not object to the "combination of agriculture with manufacturing industries: gradual abolition of the distinction between town and country, by a more equable distribution of population over the country" (Manifesto). But the United Nations speaks more of the obligations of the industrialized nations to the underdeveloped nations, the former being the international equivalent of "town," whereas the poorer nations represent the "country."

Like the *Communist Manifesto*, the International Covenant on Human Rights concludes with a declaration "that primary education shall be compulsory and available free to all."

THE CORRELATION between the doctrines of compulsory socialism expounded by Karl Marx and the so-called economic policies of the United Nations should be clear enough to anyone who cares to compare them. But what is the satisfaction of showing the socialistic nature of the United Nations? So what?

Are people supposed to turn with horror from anything socialistic, just because the ideas may be traced back at least as far as the writings of Marx? Besides, haven't most of the Marxian ideas become acceptable and respectable in the United States? Public land, graduated income and inheritance taxes, nationalized banking and communication and transportation, controlled industry and agriculture, full employment, public works, rural rehabilitation, and government schools are "old stuff" to Americans. And there are among us any number of "duly accredited economists" who would assure the world, if necessary, that all of these measures are economically sound. If the United Nations ideas are socialistic, then that may be precisely why they appeal to

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great numbers of American citizens who firmly believe in socialism provided that it does not emanate directly from Moscow.

On the other hand, there are also many citizens of the United States who can recognize socialism in most of its forms and who would like to cleanse the United Nations of socialistic practices. Of this group, some believe that the problem is to displace the socialistic ideas of United Nations delegates with sound economic principles. They want to keep the United Nations Organization as "an instrument of world peace" and use it for the implementation of free trade, for the protection of rights to private property, and for the preservation of the freedom of the individual. But theirs is the greatest of all illusions, for they have not learned that overextended government is the most dangerous of all threats to personal freedom. A world federation of national governments merely compounds the coercive power of any one of those governments to deprive any one citizen of his life, liberty, and property — his economic freedom.

As an example, consider the "full employment" concept of "economics, *inter alia*." Until a person understands that employment is not an end in itself, but only a means of exchanging human effort for things more personally satisfying than leisure, he will not see the futility in compulsory schemes for "full employment."

Work, as such, is not necessarily a desirable economic goal. If it is a bowl of rice that a man wants more than anything in the world, why should he labor to produce, for himself or for anyone else, something that is not convertible into a bowl of rice? Such exertion would only increase his hunger. He will work for other things if and when he sees the value of them. And until then, who is to say that those other things are more valuable to the man than rice or just plain leisure?

THE THEORY of man in a continuous rat race of activity is the theory of a person who thinks he knows what is best for others. Just keep them busy! Unfortunately that is the theory behind the "full employment" program of those who want to do good to the no-gooder. They suppose that business will be stimulated by a program of giving products away instead of selling them; and those who wait in line to receive the tax-collected goods of compulsory "charity" are said to be employed!

The United Nations subscribes to the well-worn cliché: *The problem of production has been solved;*

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the remaining problem is to achieve more equitable distribution (Preliminary Report on the World Social Situation, 1952, p. 3). Marx thought the same in 1848, yet in the century since then, Americans and others with respect enough for private property and tolerance enough for competitive bargaining in a free market have accomplished miracles of production of goods and services unimaginable in the time of Marx. And the poorest among us have fared better than Marx could have provided, simply because the most capable were free to move out ahead and set new goals toward which others might voluntarily aim their efforts.

THE International Labor Organization, now integrated into the United Nations, has stood since World War I for the "right" to a job, the "right" to a standard of living, the "right" to a minimum wage or a maximum work week, the "right" to a "fair" price, the "right" to bargain collectively, the "right" to security against the adversities and hazards of life, such as old age and disability. These "human rights" are indeed different from property rights, for they rest on a denial of the basic concept of property rights. They are not freedoms or immunities assured to all persons alike. They are special privileges conferred upon some persons at the expense of others.

Consider, for example, the so-called *right to a job*. This is a fine-sounding phrase that evokes an emotional response. It depicts an unemployed man and his family suffering hardship through no fault of their own. But it offers no clue as to who else might have been at fault. One man's "right" to a job implies an obligation on the part of someone else to give him a job. Who has any such obligation?

In an economy of private enterprise, a *job* arises in anticipation of what consumers will want in the market place. An employer's capacity to offer jobs depends upon how well he understands the market pattern of consumer preferences. He has no right of control over the market. He has no power to control consumer choices. There is a limit to his capacity to provide jobs. And in the final analysis, an employee's so-called *right to a job* is determined by what consumers think the product or service is worth to them.

THE alternative, embodied within the "economics, *inter alia*" of the United Nations, is to create a single employer — the government

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— with a monopoly power over consumers. With such unlimited power to tax the earnings and the savings of the productive and the thrifty, this proposed international monopoly might temporarily carry on the pretense of paying more for labor than it is worth, dispensing "job rights" to those who vote "right."

But once the remnants of private property have been consumed and free citizens have degenerated into wards of the United Nations, who then will replenish the coffers from which "human rights" are to be dispensed? The proponents of "economics, *inter alia*" might well face that question before it is too late.

The Post Office Monopoly

I THINK the Post Office is a clear example of the way in which fetters can be worn for so long that people look on them as natural human appendages. Not that there is no criticism of the Post Office — far from it — but the criticism is confined to points of detail; it is not radical. Rarely is the question put: Why should the Post Office be a State monopoly?

Most people today imagine that the State went into the letter-carrying business because private enterprise had failed, or was unable to provide an adequate service. They are wrong. The State, under Elizabeth, forcibly monopolized an existing business because it wished to be able to know what its subjects were writing to each other. Today many people regard the Post Office as efficient, forgetting that such a judgment requires a basis of comparison, and comparison there is none, just because the business is a monopoly. Let me record my conviction that if the State would permit competition in letter-carrying, it would be beaten out of business in a very few years.

The usual defense of a State system is that under competition people living in remote districts would have to pay more for the service. I do not know why people who choose to live in such districts should expect to have a postal service as cheaply as people in populated areas; it costs a man in Glasgow, for instance, more to get to Piccadilly Circus than it now costs me. But if the convenience of uniform postage were found to outweigh the economy of cheap postage in populated areas, there would be found private firms to adopt the principle of uniform postage, and they would still beat the State Post Office out of business.

HENRY MEULEN, *The Individualist*, London, December 1955

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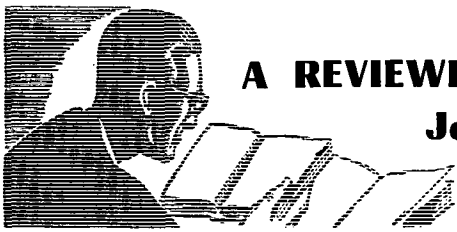

A REVIEWER'S NOTEBOOK

John Chamberlain

"POOR FRITZ," said Harold Laski in 1946 of Friedrich A. Hayek, who had recently published *The Road to Serfdom*, "poor Fritz. He's just a 1906 liberal." But the "1906 liberal," who cared more for sound principle than he did for contemporary fashions, is riding considerably higher today than the late Harold Laski. Although socialism, in its many allotropes and disguises, is still very much with us, the Laski books have lost considerable intellectual ground in just ten short years of time. And people who were damning Hayek in 1946 as a "reactionary" are now listening to his doctrine with interest and even some measure of respect.

Hayek wrote *The Road to Serfdom* in England during the lean and dreary war years as a warning to the "socialists of all parties." He could feel it in his bones that postwar England would go "labor" with a vengeance, and out of his experience with continental European socialism he wanted to cry a "Stop, look, and listen" before the madness descended. The book was not intended for consumption in the United States, and it made virtually no capital out of New Deal experiences. Nevertheless it made its mark in this country when the University of Chicago Press brought it out. Two pertinacious men—Aaron Director of the University of Chicago and John Davenport of Fortune Magazine—were instrumental in getting it published in this country, and they deserve a place in intellectual history for their efforts in Hayek's behalf.

Somewhat strangely, Hayek remarks that the book has not "had here the kind of effect I should have wished or which it had elsewhere." I submit that Hayek does not have any idea of the influence it has had: intellectual stimulation and conversion are frequently "underground" phenomena, and seeds become lodged and spring to growth in the unlikeliest places. The very fact that *The Road to Serfdom* has just been reissued as a paperback in

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the Phoenix Books series (University of Chicago Press, $1.00) with a new foreword by the author proves something about the place it has made for itself on these shores.

The original aim of *The Road to Serfdom*, as Hayek explains, was to combat "hot socialism." But "hot socialism" is pretty well discredited by now, at least in nations which still have freedom of speech. Today the issue is something that might be termed socialism by indirection, or socialism by cumulation or accretion. Says Hayek: "A great many still believe in measures which, though not designed completely to remodel the economy, in their aggregate effect may well unintentionally produce this result."

As most readers will recall, the thesis of *The Road to Serfdom* is that planning by the State, pushed from a central control tower in accordance with a master pattern, must end by robbing the individual of all his freedoms, both social and cultural as well as economic. A State "plan" means by its very nature that individuals must be told what to produce, what to consume, and how and where to apportion their time. It also means freezing people in their jobs, or arbitrarily shifting them from one job (and geographical location) to another. Naturally, parliaments are defective instruments for planning, for "talkshop" methods cannot cope with engineering problems, whether of means or ends. (A Five-Year Plan is not open to haphazard amendment once the factors of production have been set to work.) And, simply because a centrally administered "plan" requires toughness when it comes to dealing with recalcitrants, or demurrers, or congenital anti-planners, the most callous and brutal elements of society tend to work their way to the top.

WHEN *The Road to Serfdom* first appeared, the corroboration of Hayek's insights should have been apparent from the histories of Nazi Germany and Fascist Italy, to say nothing of Soviet Russia. But the western peoples were in the grip of a war psychosis then, and they were thinking of Hitler and Mussolini in terms of such things as racism, congenital evil, and original sin unmitigated by access to Divine Grace. Few there were to see that Nazism, fascism, and communism were all reflexes of an attempt to order society according to collectivist principles. It is only recently, what with the Russians

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misbehaving and the British Socialists in a mood of tired retreat, that Hayek has come to seem right in his basic premise that top-down planning must inevitably kill republican processes. But Hayek himself is guilty of creating some confusion as to his precise definition of what constitutes true liberalism in economic matters.

The confusion first crops up when Hayek indicates that he lacks patience with a "dogmatic laissez faire attitude." If his opposition to "dogmatism" is merely a matter of objecting to the type of conservative or classical liberal who wants to fight every fight simultaneously, regardless of available reserves of energy, I have some sympathy for his position. It just isn't possible to abolish every incrustation of privilege by next Tuesday evening or Wednesday morning, for institutions, once they become established, develop tough and tenacious life cycles of their own. The protective tariff won't disappear with the wave of a wand; and as for tax-supported primary education, it is entwined with our social institutions like a tough wisteria vine growing over and around the porch of an ancient house. The effective classical liberal must have his hierarchy of possibilities when he is fighting a trend, if only to save himself from dispersing his energies all over the lot. But I am not at all sure that Hayek is thinking merely of a proper husbanding and direction of reforming energies when he says he is against a "dogmatic laissez faire attitude."

Quite rightly Hayek argues that competition must take place within a "rational permanent framework," an established system of custom and legality which will give people a sense of moral certainty when it comes to making their own individual plans. But when Hayek goes on to say that "the successful use of competition" admits "certain types of coercive interference with economic life" by government, just what has he in mind? He is against price control and quotas, which is all to the good. But then he jumps off into the area of Welfare by Compulsion when he says that "the preservation of competition" is not, repeat not, "incompatible with an extensive system of social services so long as the organization of these services is not designed in such a way as to make competition ineffective over wide fields."

This sort of statement always raises the question of whether

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there is ever a *recognizable* stopping place in the progressive extension or proliferation of social services once the principle of compulsory Welfarism is granted. Just how is one to know when a multiplication of tax-supported services will threaten to make competition "ineffective"? In the eyes of politicians each proposed extension of social security, or federal aid to education, or the leasing of soil to be placed in a "soil bank," is fully compatible with the continued functioning of "private enterprise." Yet the sum total of a number of innocent-seeming extensions may make for an insensible slide into a disastrous inflation once a business cycle starts to turn down. And every additional increment to the tax-supported social services we now have makes it more and more impossible to return to the idea of proportional, as against progressive, taxation of income. In his willingness to make an intellectual compromise with the idea of the Social Service State, isn't Hayek encouraging (to use his own words against him) the very people who "believe in measures which, though not designed completely to remodel the economy, in their aggregate effect may well unintentionally produce this result?"

IT IS PERFECTLY TRUE, as Adam Smith said long ago, that any system will stand a lot of "ruin." In the history of complex economic life there has never been any such thing as a "pure" system. But it is one thing to recognize the ragged realities of history and quite another to make a virtue of them. Hayek says the test of interference with a laissez faire pattern of activity is "whether in the particular instance the advantages gained are greater than the social costs which they impose." But, on his own recognition, the "hodge podge of ill-assembled and often inconsistent ideals which under the name of the Welfare State has largely replaced socialism as the goal of reformers needs very careful sorting-out if the results are not to be very similar to those of full-fledged socialism."

If Hayek himself could be empowered to do the "sorting out," no doubt we could avoid many a pitfall. But the "sorting out" process inevitably becomes involved with the trades and compromises and back-scratchings of the politicians. There is no end to the business once it has been accepted in the political *mores* of a people.

In stressing the point of Hayek's philosophical vagueness on a

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single issue, I will be accused, no doubt, of doing a vast disservice to the rest of a generally magnificent book. But Hayek's virtues have been praised by me in other places. *The Road to Serfdom* is one of the great books of a generation. Since I was one of the first in this country to say so, I may be forgiven for narrowing my vision for just this one time.

The Constitution of the United States *by* JAMES MUSSATTI, *with Study Guide by Thomas J. Shelly, New York: D. Van Nostrand Company, Inc.* 173 *pp.* $3.50. *Available through the Foundation for Economic Education, Irvington-on-Hudson, N. Y., which also offers a special paperbacked edition,* $2.00.

Our Supreme Court recently ruled that the Constitution of the United States forbids the separation of the races in our schools. Actually, it doesn't.

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study has just been published by D. Van Nostrand Company — *The Constitution of the United States.* It is divided into two distinct parts.

James Mussatti, former instructor in history at the University of California, is author of the first and major part. In simple and vivid language, he begins with the Magna Carta and traces the development of our Constitution through the English Petition of Right and Bill of Rights, the ideas of Locke, Montesquieu, and Blackstone, the House of Burgesses, the Mayflower Compact, the Massachusetts Body of Liberties, the New England Confederation, the Penn Plan, the Albany Plan of Union, the two Continental Congresses, the Virginia Bill of Rights, the early constitutions of the independent colonies, the Articles of Confederation, and the Constitutional Convention.

Mr. Mussatti offers brief and clear explanations of the various provisions of our Constitution. He points out that most of them were compromises of many conflicting opinions and ideas. He explains why compromise was necessary.

The second and unique part of the book is a Study Guide by Thomas J. Shelly, former teacher of history and economics at Yonkers High School in Yonkers, N. Y.

Mr. Shelly follows and complements Mr. Mussatti's text — asking provocative questions, making explanatory comparisons, and suggesting additional sources of information.

This combined text and Study Guide is unquestionably the best available book for teachers and discussion leaders who deplore the trend away from the principles on which our nation was founded.

DEAN RUSSELL

Why Teachers Can't Teach—A Case History, *by* JOAN DUNN. *New York: David McKay Co. Inc.,* 1955. 224 *pp.* $3.00.

It was John Dewey's dream that "the school itself shall be made a genuine form of active community life, instead of a place set apart in which to learn lessons." For the past 30 years or so, "public" education has been shaped by this philosophy under the name of progressive education. Has it proven its worth?

Joan Dunn has written a book in support of her claim that it hasn't. Behind her book are four years of practical "experience"

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(which Dewey deemed so necessary to the learning process) as a teacher in the New York City government school system. Her diagnosis is that the patient (government education) is sick internally and cannot be cured by the application of assorted "Band-Aids." Our educational system has substituted training in life adjustment for education; but even in what it strives to do, it is defective, having nothing better for a guide than the amoral philosophy of the progressives. There is no cure for this situation in the currently prescribed remedy — federal aid. The clamor for federal funds is premised on the mistaken belief that there is nothing wrong with our educational system that a lot of spending won't cure. We can spend more, but we can't buy better — unless our educational philosophy is radically changed.

E. VICTOR MILIONE

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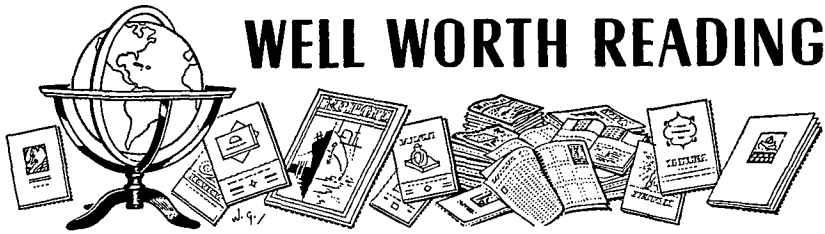

WELL WORTH READING

The Right to Work: Each job in modern American industry is created by the investment of anywhere between $7,000 and a $100,000 in tools and equipment. The man who works, whether he works at a desk or a bench, on an assembly line or at a blast furnace, does not as a rule own the capital he uses; he hires it from the owners. The more capital available, the more advantageous the terms on which it can be hired. Americans on an average, are neither stronger nor smarter than the peoples of other lands; but they are enormously more productive because proportionately more capital is at their disposal.

The phrase, "the right to work," means no more than that this situation shall continue, and also improve as coercive tactics are rooted out of the market place. The users of capital and the owners thereof — and most persons in our society are on both sides of this equation — shall then go on freely bargaining and making contracts among themselves. (The slogan, "the right to a job," is a perversion of this doctrine, implying that owners have no right to their investment because job holders acquire property rights in it!)

Wherever laws have given the labor unions a monopoly, the remedy is either the repeal of the laws which confer an advantage on unions, or laws to counteract them.

In an 8-page pamphlet entitled *The True Purpose of Right-to-Work Laws*, the Reverend Ferdinand Falque, pastor of Sacred Heart Church in Staples, Minnesota, shows that these laws "are in reality anti-compulsion laws" aimed to prevent "*workers from exploitation* at the hands of labor monopolies." His case is well reasoned, and he clearly demonstrates that compulsory unionism is in conflict with Christian social principles. The pamphlet is available from The Heritage Foundation, Inc., 75 East Wacker Drive, Chicago 1, Illinois (10 for $2.50, 100 for $15.00, 1,000 for $66.00).

* * *

Another Source of Socialism: The International Labor Organization (ILO) is a child of the old League of Nations. It operated on its own after the demise of the League, but in 1945 the United Nations took the ILO under its wing. It has a permanent office in Geneva headed by a Director-General, and a staff of about 800 persons. The Governing Body meets three times a year and consists of 20 government representatives, 10 employers, and 10 workers. The employer delegate from the United States since 1949 has been Mr. W. L. McGrath. Mr. McGrath has fought in vain against the domination of the ILO by Russia and her satellites, and now recommends that American participation be withdrawn, at least until the communist issue is resolved.

Mr. McGrath will send a copy of his findings and recommendations to those who write him at The Williamson Company, 3500 Madison Road, Cincinnati 9, Ohio.

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Readers are invited to nominate their own or other letters of note for this section; the author's permission to print should accompany the nomination.

CONCERNING WATER

Dear Mr. Read:

Congratulations on publishing the stimulating and challenging article on "Ownership and Control of Water" in the November issue of *Ideas On Liberty.* It is highly important that we think more about such fine points of complexity in our societal system. I offer these further thoughts on water rights, not as the final solution, but in an effort to help find answers to some of the questions raised in the article by the anonymous professor.*

For some time, I have believed that a crucial point in our societal system has to do with land ownership, *land* meaning original nature-given resources of whatever physical type. This problem of ownership is at the crux of our dispute with the Socialists.

The Socialists argue that the State is or should be the property owner of the entire land area. If you grant this socialist premise, the control of the people follows.

The key question then is ownership. How should ownership be established? We contend, of course, that an adult individual should be a self-owner, so that he owns his own person. He also is entitled to all the property he creates and has a right to give that property to others, if he chooses, or to exchange it for other property. Hence, the right of bequest and inheritance. But this still leaves the question about nature-given property, which is not created by anyone. Who should own the land?

Without attempting here to develop the argument at length, it seems clear to me that neither society nor the State has a right — a moral or an economic claim — to ownership of land. *Production* clearly means to me that human labor works with nature-given material and transforms it into more usable condition. All production does this. If a man is entitled to the product he creates, he also is

* A copy of the November issue of *Ideas On Liberty* in which the professor's exploratory article appeared may be had on request to the Foundation.

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entitled to the nature-given land that he first finds and brings into productivity. In other words, land — including water, mines, and the like — in an unused, primitive state is economically unowned and worthless and therefore should be legally unowned. It should be owned legally by that person who first makes use of it. This is a principle which we might call "first ownership to first user."

It seems to me that this principle is consistent with libertarian doctrine, and that it is the only principle of first ownership that makes sense in terms of that doctrine. Now, the first-ownership-to-first-user principle is a method of bringing unused, unowned property into ownership — into the market. After this is done, it is clear that the property, having been mixed with the labor and other effort of the first owner, passes completely and absolutely into his hands. From then on, it is his property to do with as he wishes. It may turn out to be uneconomic to use the property after a few years, and it will lie fallow. To leave his land fallow, however, should be an owner's privilege, for he should continue to have the unquestioned right to do with the property as he sees fit. Once the first user obtains the property, it must be absolutely his.

We now have a libertarian benchmark to apply to the difficult problem of water ownership. Where there is no scarcity but unlimited abundance for purposes of human use, there should be no ownership; hence, there is no need or call for anyone's owning any part of the shipping routes on the high seas. Fisheries, on the other hand, pose a different problem. Private individuals and firms should definitely be able to own parts of the sea for fishing purposes. The present communism in the sea has led, inevitably, to progressive extermination of the fisheries, since it is to everyone's interest to grab as many fish as he can before the other fellow does, and to no one's interest to preserve the fishery resource. The problem would be solved if, on the first-ownership-to-first-user principle, parts of the sea could be owned by private enterprise.

Fixing the ownership of *flowing* water, as the professor points out, is more difficult. What's the solution? We must concentrate first, not on extricating ourselves from the present property relations in water, should that be necessary, but in trying to visualize an ideal arrangement. After the ideal is known, then one can begin working toward it, given the present situation. But it is crucial not to

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confuse the two. The ideal for scarce goods, then, is first-ownership-to-first-user. It is immediately clear that the route to justice lies along the *appropriation* rather than the *riparian* path. Why riparian? What claim does a landowner have to any part of a stream just because his land adjoins the stream? No moral claim whatever. His riparian claim is not based on his having made use of the water; in fact, his only purpose seems to be to block anyone else from using the water, and the result is criminal waste of rivers and streams. Why should a riparian owner have a claim to a flow of water?

The appropriation method is therefore far closer to the just one. Its chief flaw is that it has been too limited, and we are all indebted to the professor for his clear explanation of the various methods of property allocation. The way to amend the appropriation method is as follows: 1) eliminate all requirements for "beneficial" use — the term is meaningless, and can only be concretely decided on the free market; 2) the water must be the appropriator's absolute property, not at the sufferance of the State. Hence, he must be free to sell his right to the water to anyone else for any purpose, or to stop using it altogether. If he fails either to use his property right or sell it, the inference is that it is not worth using on the market. At any rate, the decision must be the property owner's — the appropriator's.

How to establish the absolute appropriation method in the Eastern states — whether with or without compensation to the present riparian owners — is something that must be settled. If down-

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stream owners want to avoid pollution, there is one simple way they can do so, under the appropriation method: buy the stream together — as a corporation, perhaps — from the first appropriators, and then put it to non-polluting uses, or keep it "fallow" altogether.

Where there are underground rivers, the first appropriator can own his portion of water and use it however he wishes. There is no reason for him to own the whole river, however. Thus, for both the underground and surface rivers, the first appropriator and later buyers own the first used portion of a river flow, and the next appropriator owns the next downstream portion used.

Further, if downstream citizens wish to build a dam and flood upstream land in order to protect themselves against floods, they must, in a libertarian society, do two things: 1) buy the rights to the water they propose to control, and 2) buy the land to be flooded. If they want to preserve forests to avoid droughts, they can buy the forests from their private owners.

I hope these remarks may prove helpful.

MURRAY N. ROTHBARD, *Economist*
New York City

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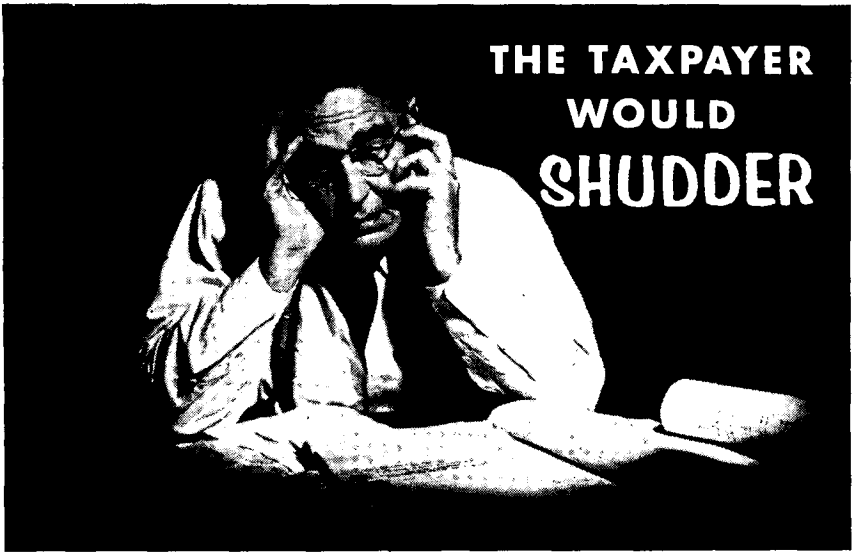

The average taxpayer would be likely to shudder if he fully realized how the Federal Government spends some of his money.

A case in point: *Reported 4th class mail (parcel post) losses 1926-1954 total more than 1.2 billion dollars.* But that is not the complete picture.

The Post Office Department admits its reports do not include all the expenses paid by the Government for 4th class mail operations. The unreported expenses have been estimated at more than $43 million annually. No private business can compete with government—let alone at below-cost, taxpayer-subsidized rates.

The Hoover Commission, after thorough studies, made note of the serious issue of government competition and past Congressional efforts to reduce it. It has recommended to the present Congress a further step—that continuing taxpayer subsidies to parcel post shippers be wiped out through rate increases adequate to cover all costs.

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